

**THE FIRST PRINCIPLES  
OF INDUSTRIAL RELATIONS**

# THE FIRST PRINCIPLES OF INDUSTRIAL RELATIONS

BY

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## CONTENTS

CHAP.	PREFACE	PAGE
	PREFACE	V
I.	INTRODUCTION	I
II.	THE NATURE OF INDUSTRIAL WORK	10
III.	THE TECHNICAL FACTORS	21
IV.	THE ECONOMIC POSITION OF THE WAGE EARNER	34
V.	THE CAUSES OF INDUSTRIAL DISCONTENT	49
VI.	WAGE DISCONTENTS	62
VII.	DISCONTENTS ARISING FROM IGNORANCE	74
VIII.	THE SIGNS OF DISCONTENT	79
IX.	THE REMEDIES	89
X.	THE CONTRIBUTION OF THE STATE	92
XI.	THE CONTRIBUTION OF THE TRADE UNIONS	104
XII.	THE CONTRIBUTION OF THE EMPLOYER	121
	BIBLIOGRAPHY	145
	INDEX	147



## CHAPTER I

### *Introduction*

WHEN the term industrial discontent is used in popular discussions and in the press, it is generally taken to refer to the manifestation of discontent that takes the form of a strike. If it is said that industrial discontent is increasing, the statement can generally be taken to mean that the number of strikes is increasing, though sometimes the term may be used in a slightly extended sense to refer to other signs of discontent, to absenteeism or to unwillingness and indiscipline amongst workmen. Here, however, it will be used in the broadest sense to cover all forms of human discontent arising in connection with industrial work, from whatever cause they arise and whatever form they take. No purpose is served by attempting to restrict the term to particular manifestations of discontent, for unrest may show itself in many different outward signs, or even exist and yet not show itself at all to the superficial observer. Strikes, absenteeism, a high rate of labour turnover, high sickness and accident rates, and unwillingness and indiscipline, may all be signs of industrial discontent, but they throw little light on the causes of it.

Popular discussion of industrial discontent tends to concentrate on strikes rather than on other signs of discontent, because strikes are often dramatic and directly affect the public by disrupting normal trade

## *The First Principles of Industrial Relations*

and services and causing a loss of production. Moreover, if a strike takes place in an industry controlled by the State, the loss of production may have political repercussions which are fuel for the party press. The amount of loss in production caused by strikes is, however, almost certainly trivial compared with the losses caused by absenteeism and labour turnover. But the things which probably cause the greatest loss of all tend to go unnoticed just because they are by their nature immeasurable. The general lack of interest in work that causes carelessness and waste, that saps energy and initiative and produces unwillingness and indiscipline, is a far more formidable problem fraught with much greater consequences for human well-being than the dramatic outbursts of industrial strife which attract attention.

All these things are, however, merely symptoms, symptoms of a general underlying human unhappiness in relation to work. While the losses in output which these symptoms produce are serious enough, and are enough by themselves to give rise to the study of industrial relations, it is not this which has caused so many people to study the problem. It is rather the frustration of the human spirit in its struggle to find freedom to live and develop which the symptoms imply. But if we are to find remedies for discontents, the first step must be to seek the underlying causes, for remedies aimed simply at treating the symptoms are not likely to cure, and may indeed aggravate, the disease. The starting-point of the study of industrial relations must therefore be the fundamental causes of the unhappiness of mankind at work, and it is with these, and with the mitigation of them, that this volume is concerned.

## *Introduction*

Industrial relations is not, therefore, something which is studied purely for knowledge for its own sake, but is one of the large family of applied subjects which is directed towards the achievement of a practical purpose. Moreover, there is a further difference between the approach of a 'pure' and an applied subject, because the solution of a practical problem often requires the use of a different method of inquiry from that which would be used in the pursuit of knowledge alone. In any practical problem many considerations of widely different nature will be bound to enter. Thus, to use the example of medicine, the doctor seeking to cure will make use of knowledge acquired for its own sake from many different quarters. He will apply the results of chemistry, physics and physiology, to mention only a few pure subjects. The same is true of industrial relations; knowledge gained from the study of economics, psychology, sociology and law must be applied to seek a solution to the problem of industrial discontent.

From the discussion in the following pages it will gradually become clear that the problem of industrial discontent is inherent in, and arises from, the structure of society; from its social organisation and political forms; from its religions and ethical norms and the attitudes to property and work which these inculcate and which are given expression in its laws. In fact, it is true to say that in the last analysis the problem of industrial discontent is rooted in fundamentals of our way of living which are so much a part of ourselves that we seldom stop to question them. Consequently we may fail to realise that these fundamentals are neither universal nor immutable,

## *The First Principles of Industrial Relations*

and that, in other times and places, in other forms of society, they may be quite different. To treat of these in detail or to enter into a discussion of how far they might be susceptible to deliberate change are matters which lie far beyond the scope of this volume. A very short statement of some of the assumptions fundamental in the structure of our society will, however, serve both to make us more conscious in discussing industrial relations of just how much we are assuming, and at the same time will set limits within which to conduct our inquiry.

Inherent in the social life of Britain today is an insistence on the importance of the individual as an end in himself and on his freedom as the first essential to the achievement of the highest individual development.<sup>1</sup> Indeed, there is no reason for freedom except the belief that each individual is important for his own sake. This insistence on freedom, at root an ethical attitude, shows itself in a large number of different ways, amongst which there are two groups of importance. The first group consists essentially of freedom of thought and of the spoken and written word and the consequent freedom, without which freedom of thought and speech does not mean much, to organise with groups of like-minded people for religious, political or economic purposes. One of these latter purposes, of which we shall say more later on, includes 'freedom of association', i.e. unhampered freedom to organise in trade unions.

<sup>1</sup> What is true of Great Britain is true in some degree of most of the countries of the Western industrial civilisation. Britain, the U.S.A. and the other countries which take their origin most directly from Britain have predominantly the same characteristics. This attitude works itself out in different forms in some of the countries of Europe, and this difference has its repercussions on the course of industrial relations in non-Anglo-Saxon communities.

## *Introduction*

The second group of freedoms may be summed up under the title of economic freedom ; the freedom to buy and sell, whether goods, land or labour ; freedom to enter into contracts in regard to any of them and the consequent freedom for the individual to pursue any occupation he pleases or to make his living in any way he can. To the industrial worker the freedom to work or not to work at any occupation and for any employer is of supreme importance.

A second fundamental attitude in Western industrialised societies is that a man may have what might be called 'socially approved' discontent with his present economic position. It is thought to be right and proper for a man to strive to increase his income and to acquire wealth. Economic freedom gives the opportunity to do these things, and in so doing rewards economic initiative. What determines the social status of an individual must await further discussion, but one important element is his income. Thus an increase in income brings with it not only an increase in the standard of living, but also a further reward in the form of a higher social status. Together these are very powerful incentives, and a great part of the economic success, and the higher standard of life of the older industrial communities must be attributed to them.

Closely related to both economic freedom and to the encouragement which such freedom gives to acquire wealth is a third basic assumption, that it is right for a man to acquire and own property and to dispose of it as he pleases. Property is of little value to the owner unless economic freedom extends to its use, for although property can be used directly by the owner in the form of consumable goods, its main

## *The First Principles of Industrial Relations*

use in industrial communities is in the form of capital instruments of production, *i.e.* the land, factories and machinery. The private ownership of the capital means of production would be no advantage to the owner unless he were able to say for what purpose it was to be used and thus be able to direct its use into the most profitable channels unfettered by social controls. Thus the private ownership of the means of production in our form of society gives the owner the right to say what shall be produced and who shall help to produce it. The consequence is that any individual worker or a group of workers may be refused employment and thus denied the use of the means of production by the owner and may be unable to earn a living. This form of private ownership of the means of production is commonly called capitalism.

The reader may object that many of these fundamentals of Western forms of society are by no means unmodified; that the freedoms of speech, organisation, economic activity and ownership are in various ways restricted. He might even add that the modifications are gradually becoming so great that they seriously weaken some of these freedoms. But this is only pointing out that society is not static and that changes in social structure are always taking place. It would, however, be wrong to assume that all changes are in one direction and away from freedom. In the last half-century some very important additional freedoms have been achieved, particularly for the working class; for instance, the freedom from dire want which social security has brought and the freedom to organise in trade unions and to strike.

## *Introduction*

A study of changes in public opinion and in law in regard to the fundamentals we have been discussing, would show that many of the changes arise from conflicts between the fundamental freedoms themselves. Thus, freedom in one direction may have to be restricted in order to permit freedom in another. The conflicts which arise in industry and which form the basis of this study of industrial relations are the products of a conflict between individuals or groups, each pursuing their economic freedom to increase their income. They also arise from the conflict between the freedom to own and direct how the instruments of production shall be used and the economic freedom to work at any occupation or indeed to work at all. Freedom to direct how the means of production shall be used, carries with it economic control over the lives of men and must therefore necessarily conflict not only with their economic freedom but also with many other individual freedoms. Here lies the crux of the problem of industrial relations.

This brief survey of some of the basic factors in the organisation of society has very important bearings on the remedies for industrial discontents, which we shall discuss later. Because conflicts between different freedoms are inevitable, not only in the economic sphere but also in regard to other freedoms, the maintenance of the widest freedom depends upon achieving a balance between them. But a balance does not imply an absence of conflict, and any society which takes the desirability of individual freedom as its fundamental assumption must also suffer the consequence of conflicts between individuals and groups within it. Thus, in such a

## *The First Principles of Industrial Relations*

society conflict will be normal and must be tolerated if the general principle of freedom is to be maintained. Any radical attempt to go to the root of the conflict in order to suppress it, is likely to result in a diminution of freedom by suppressing either one interest or another.

Reflection on the bearing of this on industrial relations will show that it has immediate application. Strikes and other signs of industrial discontent are a normal feature of our form of industrial society and are signs that freedoms are a reality and are being exercised. Steps to suppress them would be wise only if conflicts became so great that they involved the disorganisation of society and therefore seriously restricted the freedom of non-combatants. For instance, the attempt to make strikes illegal and compel arbitration in industrial disputes would involve the loss of the very important freedom of organised withdrawal of labour. Again, the abolition of the freedom of private ownership of the means of production by transferring ownership to the State might easily result in a far greater loss of economic freedom to the worker as an employee of the State than his present restricted freedom under private ownership. Where there are many employers a workman who is dismissed or is unhappy in his work can find alternative employment, but to be dismissed from a State-controlled industrial monopoly means final dismissal from the whole industry, and there is no reason to suppose that State officials are necessarily more considerate than private employers. These considerations do not mean that we should not try to reduce conflicts and the discontents which cause them — that must be the aim of anyone with

## *Introduction*

human welfare at heart — but they do mean that in considering remedies the wider social background of industrial strife must be constantly borne in mind.

Throughout this discussion, different readers will have taken varying attitudes towards the relative importance of different freedoms. Some will place the economic freedom of the workers first ; others, freedom of enterprise that comes from the private ownership of property. The impartial student of industrial relations will put neither of these first, but will rather approach the subject in the spirit which asks whether the balance of freedoms is being maintained, so that in the long run each individual will have freedom to develop and live his own life in his own way without restricting more than necessary the freedom of others to do likewise.

## CHAPTER II

### *The Nature of Industrial Work*

IN seeking the causes of industrial discontent it is necessary to approach the inquiry from the point of view of the industrial worker and to ask the following questions. How does the nature of his work affect him? Under what conditions is it carried on? What are his economic problems? And, therefore, in what ways is he discontented? In so doing, however, the reader may be led into assuming that a description of the causes of the worker's discontent is a justification for them. If the worker is described as being discontented because he thinks his employer is more wealthy than he and that his employer is making money out of his labour, the worker's assumption may or may not be justifiable and in accordance with the facts. This, however, does not affect the accuracy of the description of the cause of his discontent, and it is the causes we wish to describe, whether they arise from ignorance or not. Because the facts of social life are described from the viewpoint of the worker it does not mean that the reader is, therefore, asked to accept his viewpoint as necessarily justified; it only means that he is asked to understand why the worker is unhappy.

It is also important to notice that in analysing the

## *The Nature of Industrial Work*

causes of industrial discontent we are concerned only with first principles, with fundamental factors in the organisation of industry and the basic social relationships which arise from them. These relationships may, however, be modified either by changes in the economic environment, arising largely from factors outside human control, or by the deliberate intervention of the State. An example of the former is the great reduction of unemployment experienced by most countries since the end of the Second World War compared with the high level of unemployment ruling in the nineteen twenties and thirties. This has greatly increased the economic security of the worker by ensuring a steady demand for his labour and has thus modified industrial relations in a number of ways. There is no certainty, however, that full or nearly full employment is permanently established and insecurity therefore remains a fundamental characteristic of industrial work. An example of deliberate intervention by the State is the development in the last fifty years of systems of social security which have done much to alleviate the *results* of the workers' insecurity but have not altered their fundamental *causes*. In the pages which follow we shall deliberately ignore the temporary circumstances of time and place and partially applied remedies. Bearing this in mind we may turn to examine the nature of industrial work.

Industrial work, as distinct from the work of the farmer, the independent craftsman, the professional worker, the manufacturer or trader, has certain main characteristics which distinguish it from these other kinds of work and which, together, directly or

## *The First Principles of Industrial Relations*

indirectly, are the cause of much of the discontent associated with it. These characteristics appear simple when stated shortly, and their importance may easily be underestimated ; but their ramifications are immense, and to a large extent they determine the pattern of life of a very large proportion of the population of the industrial nations of the world.

In the first place, industrial work is group work, that is, it involves bringing together many hands, usually into one place of work, and organising them to carry out collectively a common task. However, though some forms of industrial work involve bringing numbers of individuals together they do not necessarily involve always working together or being in the same place. In the Building and Transport industries, for example, the place of work varies frequently and men do not necessarily work in a group ; but these industries still retain the characteristic of industrial work, that of a common task carried out by a number of men subject to the same conditions of employment. The fact that industrial work is always characterised by the common employment of a number of persons is the main thing which distinguishes it from the other forms of work mentioned above.

The second characteristic of industrial work, one which is implicit in group work, is that it involves the division of labour. An elementary form of the division of labour is found when a number of men each perform the same task ; when, for instance, a group of men dig a trench, each man digging a small part of the whole. But this is not the main type of the division of labour which is characteristic of

## *The Nature of Industrial Work*

industrial labour. The division of labour in its fully developed form means that the process of manufacture is split up into a large number of different operations of a simple character and each operation is performed by a different worker. Thus, in factory work it is often true that no worker ever makes a complete article, but only makes a part, sometimes a very small part, of the whole. Thus, whatever form industrial work takes, the essence of it is that a man seldom makes the whole of anything. He is not a maker of chairs, but a driller of holes; not a maker of shoes, but a cutter of leather. The division of labour has such important consequences for industrial relations that we shall return to discuss it more fully later.

The third characteristic of industrial work is that it is carried on under control. It is impossible to organise and direct the work of a body of people unless some form of discipline is observed, whether it be a conscious self-discipline or a discipline imposed from above by some form of constraint. The further the division of labour is carried and the more the whole industrial process depends on the exact co-ordination of the work of a large number of hands, each undertaking a minute and separate task, the more important does co-ordination become and the greater the discipline that must be imposed. The ultimate sanction is the power of dismissal exercised by the employer, by which he can at very short notice cease to employ any worker who is not amenable to whatever discipline the employer may wish to exercise.

The power of control thus exercised by the employer extends to every aspect of the worker's life

## *The First Principles of Industrial Relations*

whilst he is at work. The nature of the work he must do is determined by it, and he must obey the detailed instructions of the foreman as to what task he does and how he does it. The discipline enforced by the employer will determine the times at which he starts and stops work, has his meals and rests from work. It may also be used to force him to work overtime or on night-shifts. Moreover, the employer may make and enforce upon him factory rules, which may cover a wide range of detail from such things as when and where he may smoke and where he may take his meals, to what garments he may wear, where he may sit in the sun in the lunch-hour and many other minute and intimate details of his daily life in the factory.

In addition to these matters of discipline which all involve human relations, the employer has power to determine the physical conditions under which the worker carries out his task. Whether the worker is hot in summer or cold in winter, whether he has fresh air or must breathe irritating dust or fumes, whether he must take constant risks or whether his surroundings are comfortable, healthy and safe are matters at the discretion of the employer.

Not only does the workman thus find his life and work determined for him in ways too numerous to mention, but the efficiency and reasonableness of the discipline imposed upon him depends upon the machinery of management. The workman must work under and accept orders from whomever the employer places over him as foreman. The foreman is, however, himself the lowest rank in the hierarchy of management, and the orders he receives may originate in decisions made much higher up in

## *The Nature of Industrial Work*

the hierarchy. Whether the orders he receives and which he has to interpret to the workers are based upon accurate information, are reasonable in the light of all the circumstances, and are considerate towards the human beings who have to carry them out, depend upon the efficiency of the hierarchy and upon the tone prevailing in it. In the last resort these matters which so closely affect the workman are determined by the executive head of the business. They are so important in determining the contentment of the workers that we shall return to them later.

The fourth characteristic of industrial work is that it is wage work and is therefore usually performed under conditions of considerable economic insecurity. The way in which an industrial worker can be dismissed at short notice and how the threat of dismissal is used to enforce discipline on him has already been mentioned. The power of dismissal is an extremely powerful economic sanction, since it deprives the worker temporarily of his livelihood and inevitably inflicts on him some loss of income. Even at the best of times dismissal will nearly always mean a few days' loss of work between jobs, whilst if there is some general unemployment it may result in a period of several weeks without work. This will cause the worker not only considerable anxiety and financial loss, but, if unemployment is prolonged, may involve him and his family in actual deprivation of the necessities of life. Whilst social security systems may do much to reduce this latter contingency, they seldom avoid all the hardship caused by unemployment. In wage work, as in no other form of work, the economic security of one man is directly

## *The First Principles of Industrial Relations*

dependent upon the will of another. The independent worker may in the long run be insecure, but not immediately. The professional man, the farmer and the independent craftsman may all suffer a gradual loss of income, but they cannot be suddenly deprived of their living at the unrestricted decision of another individual. They do not suffer the uncertainty about where they will obtain their living next week which is normally the lot of millions of industrial workers. Thus industrial work is usually characterised by economic insecurity, an insecurity which shows itself in the hourly or weekly wage and its implication that employment can be terminated any day.

This insecurity does not arise from any single cause. The massive unemployment of the earlier years of this century which affected all industries together was caused by a general decline in spending. It is not likely to be repeated because of the great advance in our knowledge of the economic causes and the increased power of economic control exercised by the State. The same cannot be said of the other causes of unemployment which arise partly from changes in the sort of goods demanded by consumers and partly from changes in methods of production which make use of automatic machinery. Both are the product of advances in knowledge. The latter, sometimes called 'automation', by dispensing with much human labour is a constant threat to its security. Permanent unemployment is not likely to result, because in time the men displaced become absorbed elsewhere. But absorption may be slow and may not take place fast enough to keep pace with technological changes. The amount of unemployment thus caused therefore depends on

## *The Nature of Industrial Work*

the rate of technological change. With the advance in scientific knowledge, this rate of change is always increasing and it is essential that it should, if we want higher standards of living. But the social consequences are insecurity of employment.

Lastly, under the existing social organisation, industrial work is usually carried on for profit. In most industrialised nations society is so organised that the greater part of industry is carried on by private enterprise, under which one set of persons who own or have control of the instruments of production take the initiative in hiring others to labour for them and seek to make a gain known as profit out of the sale of the product.

The term 'profit' can be used in so many different senses that it is necessary to be clear what the term implies in discussing industrial relations. The word is used here to describe the income of the business man, that is, the income derived by him from the activity of buying labour and the other factors of production, organising them into a productive whole and selling the resulting commodities *for private gain*. This is the essence of the system of private enterprise compared with other forms of industrial control. From it flow some important consequences for industrial relations, because it determines the purpose for which employers exercise control over workmen. When, however, it is said that industry is carried on for profit, it is not intended to imply that business-men are actuated by abnormally selfish motives. Business-men's motives are, on the average, no more selfish than those of their fellow-men in other walks of life, but their income, termed profit, is derived in a different way

## *The First Principles of Industrial Relations*

from the income of the labourer or the professional man.

Profit is derived from the willingness of owners to exercise initiative in the use of their property to produce what consumers want. Taking initiative in economic affairs always involves a risk, since no accurate forecast can be made and production must precede consumption often by a long period. Profit is therefore a payment for willingness to accept risks. However, it is clear that profits are not a necessary accompaniment of industrial work. For, whilst industrial work necessarily involves group work, the division of labour and the control of the workers, it can be carried on either under a system of private enterprise or under State control or by various other methods which do not involve direct gain to anybody out of the hiring of others' labour.

Whilst it is the case that the greater part of industry in most of the industrialised countries of Western Europe and America is at present owned and controlled by private enterprise, this need not be so. In countries where a Communist form of government prevails, the whole or nearly the whole of industry is under State control and the private ownership of property in any form is severely restricted. Even in the older industrial countries, substantial sections of industry which used to be run for private profit are now 'nationalised'; that is, are operated directly by the State or indirectly by public boards set up by the State. In such cases private enterprise is usually forbidden in the industry concerned, so that there is a State monopoly, and ownership of the means of production is vested in the State

## *The Nature of Industrial Work*

or the Board. The profits of these undertakings may either be absorbed by the State and used as revenue for general purposes, or the undertaking may be carried on in a manner such that, taking good and bad years together, no profit is made. In any case, if any profit is made it does not pass into private hands, and private individuals do not control or own the capital equipment. Nevertheless, what the worker does in these undertakings is typical industrial work, in no respect different except that it is not done for profit. It is easy to think that all the problems of industrial relations could be solved by the State ownership of industrial capital. But though this would alter the human relationship of employer and employed, it would not abolish the risks of economic change which at present fall on the owners of capital and those employed by them. These risks would be present in any system. The only issue is, who should bear them?

It will have been observed that the fourth and fifth characteristics of industrial work, the economic insecurity of the wage earners and the profit of private individuals, stand on a different footing from the first three. Group work, the division of labour, and the control which it involves are organisational matters dictated by the technical forms of modern industry, without which industry could not be carried on. The last two, the economic position of the wage earner and private profit, are, however, *social* factors, arising from the organisation of society, and these could be altered without bringing industry to a halt. Indeed, as we have just seen, private profit is not necessary. It cannot be argued, however, that such alteration could be made without having

## *The First Principles of Industrial Relations*

far-reaching effects on both the efficiency of industry and on industrial relations. What may be gained by changing the relationship of employer and employed by the abolition of private profit may be lost in the creation of a bureaucracy.

## CHAPTER III

### *The Technical Factors*

WITH this brief survey of the main characteristics of industrial work in mind we may return to the first three of them which arise from the technique of industry, namely, group work, the division of labour and the control of labour. It will be more convenient, however, to relegate the consequences of group work to the end of the chapter after we have considered further the division of labour and the problem of control to which it gives rise.

The advantages of the division of labour in increasing production have long been understood; they all arise from simplification of tasks. The further it is possible to subdivide the operations necessary to make anything, the greater is the efficiency in the use of labour. Thus, the aim in industry is always to break down complex operations into many simple tasks and in this way to simplify the work of each individual worker to the greatest possible extent. When the greatest simplification consistent with the technical processes involved has been achieved, the worker repeats the simple operation over and over again continually throughout the working day.

Moreover, further simplification can be achieved by what is known as motion study. This is not concerned primarily with simplifying the task, but with

## *The First Principles of Industrial Relations*

the simplification of the movements of the body required to perform it. The movements required to do any given task are studied in detail and the simplest pattern of movement involving the least loss of energy and time is worked out. The worker is then instructed to perform the work in this pre-determined way. Thus a great deal of industrial work consists of inherently very simple tasks performed in a simple manner and repeated over and over again.

A further stage in technical development is reached when a task has been so subdivided and simplified that it becomes possible for a semi-automatic or automatic machine to take it over. The worker is then a machine operator or machine minder whose task is to watch the machine, feed it with materials, remove the finished product and see that nothing goes wrong. This may involve keeping step with the machine in a series of rhythmic movements or merely watching an automatic machine operate and attending to its needs.

As a result of the division of labour, the factory becomes a very complicated human organisation. It is implicit in the idea of the division of labour that the material should pass in turn from one man to another as each performs his particular operation on it, and there is a continuous flow of material through the factory from the raw material to the finished product. It is clear, therefore, that the work must pass each stage in manufacture at the same rate unless stocks of semi-finished parts are to be allowed to accumulate at bottlenecks or some men suffer from a shortage of material on which to work. Thus the division of labour links each worker to the others

## *The Technical Factors*

in the sense that each man must keep pace with those in the stages of the process before and after him. This is not to say that no elasticity in the rate of flow of work is possible. Where there are bottlenecks, additional workers doing the same process speed the flow, and the existence of stocks of semi-finished parts between stages in the work provide for temporary fluctuations in the rate of work. But, nevertheless, it remains true that where men work in groups organised on the principle of the division of labour, the rate of work of each man must be related to that of his group. Other factors arising from group work which we shall discuss later reinforce this tendency. Industrial work therefore frequently compels the worker to work at a pace which he would not naturally adopt. This may also arise from another cause. Where the worker is employed on a machine, and especially on an automatic one which runs at a set speed, the worker may be compelled to keep pace with the machine, which may go either too fast or too slowly for him.

In the case of a moving assembly line, both the division of labour and the set speed of the machine combine to determine the speed of work absolutely. Here each piece of work moves slowly in front of the worker, who must do certain operations on it in a given time. If each stage in the work is dependent on each previous operation having been properly completed, failure to complete a task in the allotted time may result in the whole line being disorganised. The mechanical and social pressures brought to bear on an individual to keep pace are here found in the most extreme form.

From the foregoing account of some of the more

## *The First Principles of Industrial Relations*

direct results of the division of labour, it can be seen that very close co-operation between workmen will often be necessary, and that, even where direct co-operation is not required, a considerable amount of discipline must be observed if the work of large numbers of people is to go smoothly.

To achieve this co-operation and discipline amongst the workers is part of the work of the employer. In anything more than a small business, however, the employer seldom has direct contact with the workers he employs; and as the size of industrial undertakings increases, direct contact between employer and worker becomes increasingly difficult. The employer has therefore to appoint people to exercise control for him, and in this the division of labour again appears. The foremen exercise direct day-to-day control of groups of men, whilst above them may be departmental heads exercising control in a more general way over a number of foremen. Departmental heads may be controlled in turn by a factory manager who himself may be responsible to the managing director or employer who is the head of the executive line of control. In a large factory there will probably also be a functional division of labour in management by which certain parts of the organisation of the factory, for example the technical or engineering aspects or the management of the personnel, may be the sphere of specialised groups of persons. They may either exercise a direct executive control over matters within their special competence or may act as a staff of advisers to the executive officers of the line.

When a worker is engaged by a business, he is therefore not engaged by his employer who will

## *The Technical Factors*

personally direct his work from day to day. The employer will have no opportunity to learn his abilities and weaknesses, likes and dislikes, know the immediate problems and difficulties of his work, and thus maintain a constant human contact with him which will soften the formal relationship of employer and employed. Instead he becomes the servant of a hierarchy of management, between the lowest and the highest rungs of which there are many intermediaries.

In theory, orders pass down this line of command, and the information on which they are based and which determines their content so far as the worker is concerned, passes up the line. Unfortunately the divergence between the order issued from the top and the order as it reaches the worker is often very great. Further, the information on the facts of the immediate situation facing the worker often reaches the top in a very garbled form.

The reasons for this are not mere human perversity. At each stage, as an order passes down the line, each person concerned has to interpret its intention in the light of his knowledge of the circumstances in which it must be applied. Both the knowledge and therefore the interpretation may be at fault. On the other hand, as information is passed up the line it is constantly sifted, and only what seems important to the person at each stage is passed on. Moreover, facts which may be unpleasant to a higher authority tend to be suppressed. Thus, vitally important information may never reach the top, and orders reaching the bottom may be totally out of accord with the facts. As a result, workers may not uncommonly find themselves given orders which are impossible of fulfilment or which can only be carried

## *The First Principles of Industrial Relations*

out at the cost of great waste or delay, or which seem in the light of their knowledge to be utterly stupid. Worse, these orders may be completely inconsiderate of the fact that human beings have to carry them out, or be unfair or unjust, not because anybody intended them to be so, but because the organisation of the management is at fault.

It has been pointed out that when an order is given and passes down the line, each person has to interpret its intention in the light of his knowledge of the circumstances in which it must be applied. Thus, initiative is required at each point as it is passed on, and not least is initiative required by the workers who have finally to carry it out. Yet in how many cases is the worker told that he is paid to work and not to think? But if he did not think and obeyed his orders literally, in many organisations chaos would result. The worker is often the redeemer of orders otherwise fatal to smooth working.

The worker, then, is not employed by the person who directs his daily activities, but by the firm which, so far as he is concerned, consists of a hierarchy of officials, many of whom he may never have spoken to and may only know by name. It is this distant control, which so often appears inexplicable or inhuman, that produces the worker's feeling of separation from the management and makes him habitually think of 'they' or 'the Office' as the impersonal and potentially dangerous powers of another world.

Of the hierarchy of officials, by far the most important to the worker is his foreman, who is his point of contact with the management. From the foreman he receives orders, and the foreman is responsible for keeping the management correctly

### *The Technical Factors*

informed about his work. If there is any difficulty or complaint he must take it to the foreman, and upon the foreman's report of him will rest not only the recognition of his abilities and the possibility of promotion, but also the likelihood of his being dismissed. The foreman is therefore the intermediary between the employer and the worker. If he is to be successful in his job he must be able to interpret the orders he receives to the workmen and the workers' feelings and wishes to the employer. In this unenviable position he may find himself between the upper and nether millstones, being compelled to give orders which he knows are impossible of exact fulfilment or which he knows the workers will resist.

The relations between a worker and his immediate superior are perhaps of more importance than any other single group of factors in determining whether the worker will be contented. Upon the wisdom, knowledge, ability and personality of the foreman depends whether the power of the employer to control the worker is exercised so as to bear as lightly as possible or whether it is exercised so crudely as to become an intolerable burden. In the employer's power to exercise arbitrary control over his workers lies one of the chief sources of unrest, because few men are given the ability by nature or upbringing to exercise control in detail over the life and work of others without causing irritation and resentment. There are few, too, who are able to choose persons who have this ability for positions of authority over others; yet any person who has the means to establish a business and to hire labour has the power to do both and thus to control a large part of the lives of others.

## *The First Principles of Industrial Relations*

Up to this point in the discussion, the division of labour and the problem of the discipline which it involves have been looked at from the point of view of an individual workman. It has already been pointed out, however, that the first characteristic of industrial work is that it is group work and that a man seldom works as an isolated individual. Usually in industrial work men work together in close contact, and wherever people are in close contact day after day personal relations inevitably grow up between them. Personal likes and dislikes will develop and give rise to a pattern of social relationships. The pattern will depend on who happen to be thrown together by the technical requirements of production. Sometimes the work will require a team of men, each of whom does a different job, as, for instance, in the group who manage a steel furnace ; at other times the relations are determined by mere propinquity — the operators whose machines happen to stand next each other.

Out of the pattern of relationships thus formed, informal social habits and customs will grow up which tend to bind together the workers into groups. Moreover, because all the members of any group are likely to be under the control of the same foreman, they are subject to the same conditions in their work; and there will tend to develop a group outlook and attitude towards the foreman and the problems which arise from work and from the orders received.

It is characteristic of informal groupings that in them a social stratification tends to form in which each individual has his own place. What determines the status of any individual in a group or in society at large is a very complex matter, but some

### *The Technical Factors*

of the main factors influencing it may be mentioned. In some cases status is chiefly determined by occupation — by the social view of what a man does — that is, each differentiated job resulting from the division of labour will acquire a status value in the eyes of the workers, depending upon the skill, responsibility and pleasantness or unpleasantness of the work required in it. The rate of pay will also enter into the determination of status; usually the higher the earnings from a job, the higher is its status in the worker's eyes. The income derived from a job is generally related to the skill and responsibility required in it, and these two things tend to reinforce each other in determining status. But this is not inevitably the case and there are jobs which may command a high rate of pay and which yet may have a lower status than less well-paid jobs because of the dirt, unpleasantness or irregularity of the work associated with them. The same is true the other way round. Some jobs may be relatively poorly paid and yet may have a high status because they are thought to be socially important. All this merely goes to show that many factors are at work in determining status and that they do not always pull in the same direction.

In a group of people who meet daily at work other personal factors peculiar to a man will also greatly influence his status. Individual ability at a job, the ability to do it faster or better than anyone else, and in heavy manual work great physical strength will also confer a higher status. More important than these, however, is the personality of the worker himself. Some men are liked by everybody and quickly make friends. Others only make friends slowly. Others again are natural leaders who seem able to

## *The First Principles of Industrial Relations*

formulate the attitude and feelings of the group and to draw men round them and give them direction and purpose. Such men tend to acquire a high status within their own small group and to become the natural spokesmen of the group in any dealings with the management.

In society at large, however, as opposed to a factory community, these individual considerations cannot have much weight because they depend on intimate personal knowledge. Where strangers meet, the things that each wants to know about to determine the other's status in society are the impersonal factors which confer status — chiefly a man's occupation, his income as shown by his clothes, motor-car and house, whilst to a lesser degree his behaviour, manners and speech will tend to indicate his social class.

The satisfaction of knowing that others think that your job is important to society, that you have skill and ability and are successful in your work and, consequently, that you are an important person, is one of the greatest satisfactions that can be derived from work. Social prestige is one of the main motivating forces, not only for industrial workmen, but also for many other groups in society, for business men and professional workers who strive for public estimation through their work and their gifts of money. The reason why social prestige is so important is that it is essential to the self-realisation of the individual. Prestige amongst his group can alone give each individual that sense of importance amongst others and of responsibility towards them which is necessary for the full development of self-respect.

## *The Technical Factors*

It follows from this that anything which will enhance status is a powerful incentive to most men, whilst anything which reduces a man's status, whether it be a reduction of income, the loss of a job or even failure to obtain promotion, is a blow to a man's self-respect from which it will be hard to recover and which will arouse the most fierce resentment.

Informal social groups arise spontaneously out of the network of social relationships at work, but such groups tend to acquire permanence because they fulfil social needs. Two needs of importance can here be distinguished. The need for companionship, for someone to talk to, to joke with and to share troubles with is a natural urge which such groups of friends satisfy. The other need is for security; security against the arbitrary actions of the employer who may alter jobs, pay, status, membership of groups or even dismiss a worker without any warning. Here the informal group will provide some protection; anything which tends to reduce the status of a member will be resisted by all who see their status also threatened; any action by a member of the group which may give ground for criticism of others by the foreman will be suppressed by the social disapproval of the group; any member who is in difficulties with his work will get help from the rest and finally the spokesman of the group can often put a complaint to the foreman with more cogency and weight of opinion than could the individual. This, for example, explains the extremely common informal limitation of output imposed on a fast worker. He would incur the censure of the group if he set a standard of output higher than the rest could achieve.

## *The First Principles of Industrial Relations*

and thus expose them to the foreman as slow workers. Another example is the action of a group in 'carrying' a slow worker if he is unable temporarily to keep up a normal output, whether from infirmity or other cause. In this case the other workers will do part of his work for him. In these ways the group helps to give security to its members.

Some consequences of great importance for industrial relations arise from the network of social relationships within a factory. In the first place, the employer seldom, if ever, deals with an isolated worker. To the employer it may appear that each worker can be directed individually in his work without any wider consequences. In fact, however, whenever a worker receives an order it not only affects his conduct, but the behaviour and attitude of the other members of his group. And this reaction, if not taken into account, may completely nullify the employer's intention. Secondly, the group reaction of the workers is the basis of trade unionism. Each small group will react in its own way in defence of its members, but since common employment by the same employer is the rule in industrial work, it is likely that many things which affect one group will affect other groups in much the same way. The successful spokesman for one group may thus become the leader of many and the 'shop steward', the local official of the union, who negotiates with the employer on behalf of a large section of the factory.

The factors which influence the lines of development of trade unions cannot be discussed here, but the bearing of the discussion on the difference between industrial and craft unions may be pointed out. Where the division of labour does not produce very

### *The Technical Factors*

great differences in status amongst the workers, this may lead to a type of unionism where the whole, or nearly the whole, of the employees in a factory may belong to the same union irrespective of the work they do. Industrial unionism, in which all the workers in an industry may belong to the same union, is then the natural development. But where differences of status amongst the workers are very great, it may give rise to craft unionism, in which workers with well-defined skills and training band together to endeavour to secure their status. In this case status motive overrides that of group solidarity.

The conditions under which industrial work is carried on have only to be stated to make some of the more important causes of discontent immediately apparent. The last two chapters have, however, only been concerned with the surroundings in which the worker finds himself within a factory and have ignored his economic position in society at large. Before we can discuss the worker's discontents we must therefore consider the economic problems which face him and how these are related to the factory surroundings. The next chapter will therefore be devoted to a discussion of the economic position of the wage earner.

## CHAPTER IV

### *The Economic Position of the Wage Earner*

BEFORE entering upon a discussion of the economic position of the wage earner, it must be remembered that we are here concerned only with first principles; and the temporary circumstances of both time and place and partially applied remedies are disregarded.<sup>1</sup> This means that we are discussing the fundamentals of the wage earner's position, ignoring for the time being the fact in Britain today of over-full employment, of strong trade unions and of a well-developed social security system. In many countries today these things still do not exist. They may in time become more universal, and this possibility will serve to remind us that in this chapter we shall be discussing one of the social elements of the problem of industrial discontent which can therefore be subject to modification.

The economic and social distinguishing mark of the industrial worker is that he has no means of livelihood other than the sale of his labour. In one sense it is true that, apart from a small group of extremely wealthy individuals who are able to live entirely on the proceeds of invested capital, very few people have any source of livelihood other than their labour. Thus, the great majority of farmers, business and professional men of all sorts must

<sup>1</sup> See page 11.

## *The Economic Position of the Wage Earner*

labour to live. But this is not the issue. Plainly, for the greater part of any community there is no means of living except through working, but what distinguishes the wage earner from others who labour to live is that he has to labour today, or at any rate next week, in order to live. In other words, he has no reserves, no alternative source of temporary income upon which he can fall back, if he is unable to work or unwilling to do a particular sort of work. Whilst business and professional men have generally some store of wealth, some savings or house property which can be drawn on if they wish temporarily to stop working, and whilst the farmer can be temporarily self-supporting and live on the food from his own farm, as a rule the wage earner has none of these sources on which he can draw temporarily. This is not to deny that wage earners may sometimes have small savings, and that these may be built up, particularly in good times of full employment and high wages such as have recently been experienced. Even so, the size of the worker's income in relation to his basic needs usually gives but a small margin for saving. Consequently the worker's reserve is generally so small in relation to his family's needs, and the prospects of being able to replenish it, were it once depleted, so doubtful, that it cannot be compared with the reserves of the greater part of the non-wage-earning population.

In addition to the fact that the wage earner is dependent on the immediate sale of his labour, he is distinguished socially by the short duration of his contract for the sale of it. The great majority of industrial workers are dependent on a weekly wage payment, that is, their contract for employment can

## *The First Principles of Industrial Relations*

be terminated at a week's notice. Only a small proportion are, however, guaranteed a week's work: they are paid by the hour and full employment may not be guaranteed for even a week. Thus in many trades subject to the vagaries of the weather or to other incalculable forces outside human control, the worker must often bear the risk of not being able to sell his labour. Similarly workers in seasonal trades and in occupations subject to fluctuation, such as dock work or ship-repairing, are subject to long hours and great fatigue, alternating with slack periods when their labour is unsaleable. Even where he is not subject to such natural risks, in many industries the worker is still only paid by the hour and is thus directly at the mercy of fluctuations of demand arising from temporary economic changes.<sup>1</sup>

Not only, therefore, is the industrial worker one who is distinguished by being dependent almost entirely upon the sale of his labour and who has no alternative source of income, but he is also marked off from others who sell their labour, such as doctors, lawyers, teachers, public servants and many clerical workers, by the extreme uncertainty of his contract for sale. The professions, business men, farmers and independent craftsmen all depend on the sale of their labour or services directly or indirectly through the goods they produce, but none sell their labour upon such short contract as the wage worker. None of these classes can suffer a loss of income due to the

<sup>1</sup> In some of the worst cases of unstable employment, for example building and dock work, in recent years a system has grown up of guaranteeing the worker a certain minimum payment whether he is employed or not. Such arrangements have so far only touched the fringe of the problem and could hardly survive a prolonged shortage of work.

## *The Economic Position of the Wage Earner*

vagaries of the weather, in the sense that their income suffers an immediate decline if tomorrow be wet; again, though their income may be uncertain over a long period, none is likely to find that their labour can be wholly dispensed with next week. Thus, compared with other persons who rely for their livelihood mainly upon the sale of their personal exertions, the economic position of the industrial wage earner is one of extreme insecurity. He has, at the best, only limited reserves to fall back on and, as a rule, no source of income other than his labour. At the same time he cannot enter into a long contract for the sale of his only asset.

The economic insecurity of the worker has the most far-reaching influence upon his strength as a bargainer for wages. Without any other disadvantages, the fundamental characteristics of the industrial wage earner, his propertylessness, his absence of alternative means of gaining a livelihood and his inability to dispose of his labour on a long contract would make his position very weak when bargaining over the sale of his labour. They all tend to compel him to accept whatever wage is offered because of the urgency of his need. Certain other factors, however, make the position of the individual worker, unprotected by his union or by the law, even weaker. In most markets in which buyers and sellers meet for the sale of goods, if the seller be offered a price below what he thinks his goods are worth, he can generally defer the sale of them to a later date in the hope of finding a buyer willing to give a higher price. In other words, the seller's goods are not generally immediately perishable. Labour is, however, of all commodities the most perishable. It must

## *The First Principles of Industrial Relations*

be used as it becomes available, and if the worker is offered a price lower than what he thinks is the market price, he cannot refuse to sell his labour without wasting some of it. Even if he can find alternative employment at the factory in the next street an hour later or a day later, by his refusal to sell he has lost part of his only asset and reduced his income. Every sale of labour is thus to some extent a forced sale.

A further source of weakness on the worker's side in the bargain between the individual workman and the potential employer is that there are many sellers of labour—the workmen, but only a few buyers—the employers. Thus, an employer can refuse to hire any workman without fear of not being able to obtain the services of another, secure in the knowledge that there are still plenty of alternative workers. The workers, however, on their part will hesitate before refusing an offer from an employer, because they will know that there are only a few alternative employers, and that, if they do not accept an offer now, there may be much delay before they find employment. Thus, because there are many workmen and relatively few employers, competition among workmen for jobs tends to be greater than competition amongst employers for workmen ; and greater competition implies a weaker bargaining position. It also has a further effect, for it means that it is more difficult for the more numerous workers to combine to fix a price below which they will not sell than it is for the less numerous employers to combine to fix a price above which they will not buy. Thus it is easier for the employers to form an association with the aim of agreeing not to raise wages above a

## *The Economic Position of the Wage Earner*

certain level than it is for the workmen, who are much more numerous, to form a trade union with the object of preventing workers from undercutting one another by fixing a minimum wage. In two different ways, therefore, the difference in numbers places the workers at a relative disadvantage in bargaining with the employers.

In addition to the weak bargaining power of the individual workman, imposed by the fact that every sale of labour is to some extent a forced sale, his bargaining power is further weakened by want of knowledge. When two parties enter into negotiation for a sale, each endeavours to ascertain what is the limit to which the other is willing to go. If both buyer and seller fully understand the other's position, there is no inequality in bargaining power from this cause ; but if knowledge is mainly on the side of the buyer, then he will be able to force down the price to near the limit which the seller will accept. This is the position in most bargains for the sale of labour. The worker can have very little knowledge of how much his labour is worth to the employer, for that would depend on an intimate knowledge of the employer's business. Further, in the absence of a trade union or well-organised system of employment exchanges, the worker is likely to be ignorant of what alternative opportunities exist for his employment and what price he could obtain in them for his labour. On the other hand, the employer, especially if he is a large employer of labour, is in a position to know what is the current price at which he can obtain labour. He knows the weakness of the worker's bargaining position and has therefore no reason to offer more than the current price. Moreover,

## *The First Principles of Industrial Relations*

the foreman or other person who is accustomed to engaging labour will be much more experienced in negotiations than most workers are likely to be, and, consequently, by his superior knowledge will often be able to get the best of the wage bargain.

A lack of knowledge of the alternative opportunities for the sale of his labour very seriously weakens the strength of the workman's bargaining power. The market for his labour is scattered among a great number of factories and work places. Left unaided to find work by his own efforts, the workman must tramp the streets answering advertisements and seeking work, a search which may be long and which may involve much fruitless exertion.

If the worker knows where there is a demand for labour, his ability to make use of his knowledge depends upon his occupational and geographical mobility. If the individual worker is able easily to undertake a wide variety of tasks, and is not dependent upon a highly specialised skill for earning a living, his economic bargaining strength is greatly increased. It is also increased if he is able easily to move from one place to another wherever there may be a demand for his labour. Usually, however, the worker's geographical mobility is seriously restricted by family ties and circumstances, and often by a housing shortage which makes it difficult to move his family. In the short run, therefore, most workmen are limited to the work which their immediate locality can offer, and are thus restricted in the number of alternative sources of employment.

A result of all these economic circumstances is that the weakness of the worker's economic position is apt to be cumulative. If, because of his want of alter-

## *The Economic Position of the Wage Earner*

native means of livelihood, of knowledge of where other jobs exist and of the market price for his labour, he accepts a position at a low wage, his economic reserves and ability to stand out for a good wage are likely to be less the next time he seeks employment. Each time he gets the worst of the bargain, the chance that he will be worsted next time is increased. Sometimes this leads to 'sweating', the exploitation of cheap labour which cannot stand out for more just because it is cheap. And because poverty-stricken labour is usually very inefficient labour being poorly fed and housed, it is often not worth while for the employer to offer more. A vicious circle is thus set up leading to an intensified exploitation of labour. Whenever there is chronic unemployment this sort of situation is likely to arise.

On the other hand, where full or over-full employment continues for any length of time the opposite effect is likely to be found. The mere fact that the worker has a choice of vacancies enables him to make the employers bid against each other for his services. His bargaining strength is thus greatly increased, and, with each good bargain made, the higher wage he receives will better enable him to stand out for more the next time. There is therefore likely to be a cumulative upward movement in wages. This upward movement is accentuated by competition amongst employers for labour which may lead them to attempt to obtain labour by offering all kinds of payments additional to the normal wage. Bonus systems, piece rates adjusted to give abnormally high earnings and many other methods are used which all have the effect of increasing the

## *The First Principles of Industrial Relations*

earnings of labour over and above the normal wage agreed upon. This is sometimes known as the 'wage drift' because it leads to actual earnings gradually creeping ahead of the nominal wage agreed upon with the trade union. Since the Second World War this phenomenon has existed in most of the industrial nations of the world and has given rise to the problem of wage inflation.<sup>1</sup>

There is one further peculiarity about the sale of labour. As has often been pointed out, the worker cannot sell his labour apart from himself and consequently he has to be present wherever his labour is required. Whilst he can bargain over the terms on which he will sell his labour at so much per hour, he cannot so easily bargain over the physical conditions of the place where he must work. The worker can stipulate the wages he is to be paid ; he can arrange the hours to be worked ; he may be able to fix by agreement certain other matters connected with wages and hours, such as overtime payments ; and he may bargain for extra payment if the conditions under which he is expected to work turn out to be exceptionally unpleasant as, for instance, when he asks for dirt money or payment for wet places in a mine. He may, too, be able to specify as part of the bargain that he shall be provided with certain amenities, hot water for making tea, a cloakroom and the like. But, even if he could insist on being shown over the factory and being shown the exact work he will be required to do, and therefore be aware of the conditions, he cannot specify in his bargain for the large number of physical factors which will

<sup>1</sup> For a brief discussion of this problem see pp. 118-120 below.

## *The Economic Position of the Wage Earner*

greatly affect him. Generally when a workman is engaged he is entirely ignorant, unless it be from hearsay, of what physical conditions he will be asked to work under. Even were he fully aware of everything, it would not be practicable to bring into the contract all the conditions of the task. As it is, the workman must accept whatever conditions the employer chooses to give him, often without knowing what he accepts, and so inevitably has to enter into a one-sided bargain. The place he is asked to work in may turn out to be cramped or badly ventilated ; it may be too hot or too cold ; the lighting may be bad, the atmosphere dusty, the processes of work injurious to health ; or, on the other hand, every consideration and care may be given to the workers' comfort and health. Whichever is the case, the conditions which the worker finds are, for the most part, outside the terms of any bargain he can make.

This would not matter so much if the physical conditions under which the work has to be done did not greatly affect the amount of effort and the mental stress incurred in doing it. In return for his wages, the workman undertakes, in effect, to achieve a certain minimum output. If he does not achieve it, his employer is likely to dismiss him. But the physical efforts and mental stresses necessary to achieve the required output, that is, the real cost to the worker, depend on the conditions under which the work is done ; and these are determined almost entirely by the employer. For example, a clothing manufacturer may expect an output of so many dozen pieces from a worker each day. If the worker is provided with a properly adjusted seat and a bench of correct height and efficient lighting, if the ventila-

## *The First Principles of Industrial Relations*

tion and temperature of the room are properly maintained, and if a comfortable room is provided in which to take meals and to relax in the intervals between work (to mention only a few of the factors which affect the amount of physical effort), the output expected by the employer may be easily achieved without involving great physical stress. If, on the other hand, no attention is paid to these conditions, the amount of physical effort required for a given output may be enormously increased. The employer thus determines to a considerable extent the physical effort he exacts from the worker.

Further, the physical conditions of work are not the only, nor perhaps even the most important, factor in determining the cost of labour to the workman. The mental stresses of work and the happiness and contentment of the worker are largely determined by the discipline under which he works, and by the character and social integration of the group of men with whom he works. The great importance of the way in which a foreman exercises his disciplinary powers has already been emphasised. So important is the character and reputation of the foreman for fair dealing and wise handling of his subordinates, that workmen, when seeking employment, will often make careful inquiries to ascertain what the foreman is like. A reputation that the workmen are 'a good gang to work with' is also often a reason for seeking employment with a firm. Nevertheless, in a large factory it is virtually impossible for a worker to know the nature of the discipline to which he will be subject, or whom he will have to work under or work with, or in any way to alter these things within the terms of his bargain.

## *The Economic Position of the Wage Earner*

It is, of course, true that when there is full employment the worker has a greater freedom of choice of employment and will tend to avoid employers who have a bad reputation in regard to the conditions of work they offer, and more especially if they have a reputation for harsh discipline. More often, however, when the worker is engaged he has little knowledge of these matters, and, if there is any unemployment, he will have little freedom in the choice of a job. In these vital questions, which have such a close bearing on his happiness, he is mainly in the employer's hands for good or for ill.

The economic position of the industrial wage earner, unaided by a trade union or supported by a State system of social security, may be summed up as one of considerable insecurity of livelihood and of fundamental weakness in bargaining with the employer. In matters which it is possible to include in his contract to labour, the worker is at a severe disadvantage, whilst there are many other things which greatly affect the physical effort and mental stress of labour which cannot be included in any contract and are thus left entirely to the discretion of the employer.

The analysis up to this point has shown how the economic disabilities of the worker place him at a disadvantage in negotiating with the employer. It has also been pointed out that the division of labour requires ordered co-operation amongst large groups of workers and that this cannot easily be obtained without imposing discipline upon them. The last resort of the employer in securing discipline within the factory and a steady application to work lies in his power to dismiss a worker who is recalcitrant and

## *The First Principles of Industrial Relations*

thus subject him to a loss of income. For, even if a change of work can be made rapidly, so that a man dismissed by one employer can quickly find alternative employment, the worker necessarily loses some income. Thus, the worker's economic disability, the threat of the loss of his job and the fear of being deprived temporarily of his income, is the means by which he is driven to obey the discipline imposed upon him.

The extent to which an employer can use this means of discipline depends mainly upon the condition of the market for labour. When there is over-full employment, the threat of dismissal will have little deterrent effect because other jobs are immediately available and the consequent loss of income will be small. Moreover, employers will be less ready to dismiss a man when they know that they cannot easily obtain another to fill his place. Under these conditions many employers who have relied mainly upon the threat of dismissal often find that they are totally unable to maintain discipline and complain of the indiscipline of labour. On the other hand, if there is any unemployment the threat of dismissal is one that can both be implemented and is likely to cause the worker severe loss of income. Thus, underlying the whole of the worker's industrial life there is the ever-present possibility of dismissal, sometimes overt, more often not, but always there to be brought into operation if the need arise, and always acting as a restraint upon the worker and making him amenable to authority.

This situation is not one which arises only when industry is conducted for profit by private enterprise. It is a situation brought about by factors inherent in

## *The Economic Position of the Wage Earner*

the structure of society and the nature of industrial work. Wherever industrial work is found, with its grouping together of many workers in one place, and wherever the industrial worker relies mainly on the sale of his labour to obtain his income and can only sell his labour on a short contract, his economic disabilities are likely to be the means of disciplining him. Under private enterprise, where the owner of property has the freedom to say who shall be employed, the employer inevitably has considerable power over the worker. It must not be imagined, however, that this is purely the result of private enterprise. Where the ownership of the means of production is vested in the State, as in nationalised industry, the threat of dismissal is still the ultimate sanction for the maintenance of industrial discipline. Moreover, because nationalised industries are generally monopolies controlling the whole of an industry, dismissal is a much more severe penalty than it would be under private enterprise. For under the latter system a worker can find alternative employment with another employer in his same occupation. But to be dismissed from a nationalised industry may well mean that there is no possibility of working at the same occupation and the loss of skill acquired over many years. The position of a coal miner or railway-engine driver dismissed from the nationalised coal-mining or railway industries is far worse than it would be under private enterprise. The general problem of industrial discipline and how it can be maintained without resort to economic sanctions, is one that remains to be solved in any economic system.

To disentangle all the physical and psychological

## *The First Principles of Industrial Relations*

cross-currents and conflicts of motives aroused by discipline is far outside the scope of this discussion, but one simple distinction needs to be made. In so far as discipline is accepted by the worker to achieve an end which he believes to be desirable, it will be far less conducive to unrest than if it is imposed to secure an end not accepted. There is a whole world of difference between self-discipline or the acceptance of an external discipline imposed for a common purpose, and a discipline imposed for an end not desired. Though external discipline enforced for a commonly accepted purpose may be extremely irritating if it is exercised unwisely, provided the desire to achieve the end is sufficiently strong, no damage is done to the human personality. Where, however, the end is not accepted as necessary or desirable, where there is no common aim between discipliner and disciplined, discipline becomes a mere frustration of human purpose, stunts the development of human personality and embitters human relations, for it is then a denial of freedom to the individual.

The term 'wage-slavery', familiar to all who come into contact with the organisations of the workers, expresses more tersely than any other phrase could do the worker's view of the factors we have been studying. The term 'wage' indicates all that complex of factors which make the economic circumstances of the worker so uncertain, and 'slavery' the way in which this economic weakness is used to enforce discipline upon an unwilling worker.

## CHAPTER V

### *The Causes of Industrial Discontent*

MANY industrial workers would deny that they derive any pleasure from the work they do other than the monetary gain that they get out of it; yet it is a commonplace observation that in their spare time industrial workers will undertake for themselves and for others the most arduous tasks involving perhaps heavy labour and prolonged application. The multitudes who, in their spare time, dig their gardens, decorate their houses, build garages or make things for a hobby, work for themselves and perhaps, therefore, possession of the product might be held to be the main motive. Probably as many, however, undertake voluntary work for others through clubs, societies, trade unions, churches, charitable organisations or singly in their individual capacities; and in these cases it is plain that the motives lie elsewhere than in any direct personal gain. Therefore, given the right conditions, work can evidently bring considerable satisfaction which is independent of the monetary gain which may result. That this is so can be seen in another way by looking at the opposite case of those who are unemployed. It is characteristic of the mental state of men who have been subject to prolonged periods of unemployment that they rapidly lose all purpose in life and all self-esteem. This is mainly because they

## *The First Principles of Industrial Relations*

are denied the opportunity of finding normal expression for these feelings through useful work, and this frustration is powerfully reinforced by a sense of social uselessness. The unemployed do not demand work only because they otherwise starve, though this may be the most pressing reason. They demand work, useful work, because only this can give the sense of being at one with society, of being a useful human being who has a purpose in life and who is fulfilling a deeply rooted, though unconscious, social obligation.

It cannot be too often stated that work in the sense of useful activity is essential to the physical and mental well-being of man and is a necessary condition for human happiness. If, therefore, work is a necessary condition of man's happiness, why is it that so many industrial workers fail to find satisfaction in it?

Before trying to answer this question, let us inquire further what are the normal satisfactions of work and ask how far the conditions under which industrial work is carried on permit their realisation. We shall then be able to appreciate better why industrial work so often fails to satisfy and may give rise to acute discontent.

The satisfactions of work are many and varied. It is, however, possible to distinguish certain main elements in most forms of work which under appropriate conditions will bring satisfaction. The first is the physical activity of work which is a normal activity of the human body and under the right conditions is both pleasurable and essential to health. As prisoners know, the deprivation of the opportunity to work is a severe hardship. This is also shown by the fact that if work does not provide some physical

## *The Causes of Industrial Discontent*

exercise, the worker usually seeks exercise as a means of relaxation, as witness the keenness with which office workers engage in week-end sports. However, to enable the satisfaction of physical activity to be fully realised, work must be within the physical capacity of the worker, so that he is not strained in its performance. It is also necessary that the worker should be able to adjust the amount of effort he makes by working at his own speed and starting or stopping work as the varying physical energies of his body require. Any compulsion to work when the body is unwilling can soon become a physical torture.

Secondly, there are the mental satisfactions of work, derived from the opportunity for self-expression it gives and its consequent contribution to the development of the personality of the worker. The highest form of self-expression is to be found in the creative ability of the artist-craftsman, but it is also to be found in varying though lesser degrees in most forms of work. Self-expression through work is not only embodied in the article made, though this is one of the most important forms of expression for the skilled craftsman, it also finds an outlet in methods of work which vary from person to person even for the same task, the way a man handles his tools or machine, the way he looks after them and his interest in and knowledge of his occupation. For the full realisation of self-expression through work it is necessary that the worker should be able to make a finished article or complete a process, that he should be free to use what methods seem best to him and that the work should be varied and suited to his natural abilities. He can then look at the results of his work, see that they are good and take a pride in them.

## *The First Principles of Industrial Relations*

Thirdly, there is self-esteem. The satisfaction a man can derive from feeling that he has used his skill well, done a good day's work and achieved something worth while, gives purpose to life. Provided work is felt to serve a useful purpose, even the most trivial tasks will serve to make the worker feel a useful person, and most forms of industrial work will therefore give some opportunity for feelings of self-esteem. Proportionately few, however, provide opportunities for the more developed forms of the feelings which arise from pride in skill. The pride of a skilled craftsman plying his craft either on his own or in a group can be an immense satisfaction. Witness the pride taken in their work by men who have built something unique, like an ocean liner or a railway engine.

Lastly, in its social aspect, work is the link that binds the individual to society, makes him a useful member of it, gives an opportunity for recognition of his abilities by others, and consequently may bring social prestige with it. The great importance of the status of a man, both in a group and in society at large, and how status is closely linked with feelings of self-esteem have been examined in Chapter III. Social esteem is vitally important to almost everybody, and a man's happiness is very much affected by general opinion regarding his usefulness in the world. The work a man does is one of the main factors determining the social esteem in which he is held. To enjoy to the full the satisfaction of being held in high esteem by others, the work a man does must both be thought to be important to society and not easily carried out by everybody.

These satisfactions are most often found in their

## *The Causes of Industrial Discontent*

most developed forms in the person of the independent craftsman or professional worker who is his own master and who serves the consumer directly, such, for example, as the village joiner, the tailor, the doctor or dentist. In these people many motives are integrated. To the independent worker a satisfied customer is a satisfaction in itself of having given good service ; the direct service to the customer provides variety and opportunity for the exercise of skill in satisfying the consumer's needs and thus satisfies the instinct of craftsmanship ; and good service and good work both enhance the social status of the worker and are good business and lead to personal gain. The independent craftsman is thus perhaps of all workers the most contented with his work, because all the main satisfactions of work are in him so closely knit that the pursuit of each brings the satisfactions of the others. Moreover, he is a free man not subject in his work to the control of others.

To what extent do the conditions of industrial work enable these satisfactions to be realised ? In the first place, the physical satisfactions of work are severely restricted by industrial conditions. Industrial work involves working in a group on the principle of the division of labour. As has been pointed out, this means that the individual has to keep pace with others. Again, where the rate of work is set by a machine with which the human body must keep pace, the physical effort of so doing may easily become insupportable. Cases of wilful damage to machinery can sometimes be traced to a desire to halt the machine at any cost. The worker's freedom to adjust the amount of effort that goes into

## *The First Principles of Industrial Relations*

work is thus often very restricted. It is further restricted by the discipline to which he is subject, which determines the times at which work must begin, for how long it must continue and to some extent the rate at which it must be done. All these factors combine to produce a constant tendency for industrial work to compel physical effort from an unwilling body. The result is not only that there is often no physical pleasure to be found in work, but that industrial fatigue may easily be a potent source of unrest.

The mental satisfactions of work arise mainly from the opportunity it gives for the self-expression of the worker. Any restriction on his individual initiative, on the methods he may use or the pace at which he must work, inevitably limits his opportunity for self-expression ; and though a moderate degree of restriction by no means necessarily prevents a considerable degree of self-expression, it remains true that the less a man is his own master, the less must be his freedom of self-expression. The division of labour is the main cause in limiting this self-expression. It deprives the worker of the satisfaction of carrying a piece of work through all its stages to make a finished article and therefore of satisfaction in the result. By removing variety from work it may deny the opportunity for self-expression, and work may be highly monotonous, requiring nothing but the repetition of a very simple operation, for instance, screwing together two pieces of metal. The larger the organisation in which he works, the more likely is it that the worker may never see the finished article of which he helped to make a part, and in these conditions it is not uncommon to find workmen who neither know

## *The Causes of Industrial Discontent*

why they perform a particular task nor understand its relation to the other parts of the manufacturing process. Even where the division of labour does not have these results, the discipline which goes with group work dictates when work shall be done, how it shall be done and how fast it shall be done, and so restricts the freedom of the worker to work in his own way and destroys his pleasure in his own technique. Under such conditions there may be little scope for any feeling of what we have called self-esteem.

It will have been noticed that the physical and mental satisfactions of work are all restricted by industrial conditions because they all depend to a great extent on the freedom of the individual to work in his own way. The loss of freedom which industrial work entails is a very important cause of the discontent with it. It does not follow, however, that because a man works in a group he can never feel free, for freedom is partly relative to the social organisation within which an individual works. A man whose aims are completely in accord with the socially approved aims of his group will feel no restriction. He will be free. It is when his aims conflict with those of his society that he will be conscious of restriction. Therefore in group work, unless a man feels that he is part of the team with a common aim, he will feel restricted by his work, and it will seem as though he is working for the purposes of others without sharing in their aims. Nothing could be more conducive to discontent. This applies not only to the worker's immediate companions at work, his own small group, it also applies to the much wider field of his position in the factory or the

## *The First Principles of Industrial Relations*

company for which he works. A man must feel part of his social group both in its narrower and wider aspects if he is to be free. The application of this to the mental satisfactions of work will have been noticed. Both self-expression and the allied feeling of self-esteem depend partly on the integration of the individual into his group. If he feels a common purpose with the group and understands the wider significance of what both the group and himself in it are doing, some of the consequences of the loss of individual freedom may be partly redeemed.

The great importance of the status of an individual and how it is closely linked with feelings of self-esteem have already been pointed out, and it is not surprising, therefore, that matters connected with status should often be the cause of friction and discontent in industry. There are two aspects of status which must be considered: the status of the industrial workman in society and the narrower aspect of a man's status amongst his own workmates in the factory.

As we have seen, a person's status in society is determined mainly by the importance other people attach to his occupation and by his income. In both respects the industrial workman is accorded a low status. Most industrial work which is not highly skilled does not fulfil the conditions which will give the worker a high status in the eyes of society. The ordinary unskilled or semi-skilled factory worker, and even some skilled workers if their work is looked down on, for instance coal miners, are at the bottom of the ladder so far as social esteem goes. The unskilled worker possesses mere labour power undistinguished by any special skill or other mark of

## *The Causes of Industrial Discontent*

recognition to separate one individual from millions of others engaged in industry. His task is usually a trivial one in the sense that it has little social importance. Anyone can undertake it, often without preliminary training, and it frequently provides little opportunity for the individual to distinguish himself. Over the greater part of industry, therefore, for the large mass of the unskilled and semi-skilled, the conditions which might bring a good social status do not exist.

Status in society is, however, chiefly an economic matter governed by the income a man derives from his work and only to a lesser extent by its character or social usefulness. It is primarily to a man's income that society looks when placing him on the social scale. In this respect also the industrial worker is a person of low status in the eyes of other members of society because he belongs to the lowest income strata of society. Full employment has brought about changes in the relative income levels of different strata, and sometimes industrial workers may earn as much as professional workers who have not had the same opportunities to advance their standards. But this does not invalidate the general statement that industrial workers as a whole belong to the lowest-paid group in society. Most industrial workers derive very little social esteem from the work they do, and, because it yields them a low income, are prevented from enjoying the social prestige which wealth brings with it.

This general attitude in society that the industrial worker is a person of no importance has serious consequences on his relations with his employer, for the attitude is carried over into the factory. A person

## *The First Principles of Industrial Relations*

of little or no importance so far as work is concerned is likely to cease to be regarded as an individual by the employer. If the worker does not command individual notice or respect he is likely to become a mere paid hand, entirely devoid of human individuality, with whom the ordinary decencies of human intercourse need not be observed and to whom orders can be issued without considering their consequences to him. This is the reason why industrial discipline is so often exercised crudely, why it is often not thought to be necessary to explain to workers the reasons for orders or to discuss them with them, and why they are so seldom drawn into consultation.

It is true that if a worker possesses considerable skill or undertakes work of great responsibility, his status will be considerably enhanced. His skill distinguishes him from the common run, and because skilled men are relatively few he will be of greater importance to the employer. But skill alone does not overcome the problem of status; for the more educated and skilled a man is, the more conscious will he be of his own abilities and the greater will be the pride that he takes in using them. Therefore he is likely to be less willing to be subordinate to others, and the greater will be his resentment if a poor social status is accorded to him. No man can be educated, trained, and given means to develop individuality only to be denied recognition of it from others, without producing an acute social conflict. This is one of the reasons why the most skilled workers are often the most militant in their protest against the social system.

Further consequences flow from the attitude so

## *The Causes of Industrial Discontent*

prevalent amongst employers of disregard for the worker as an individual. It means that the employer often makes no attempt to understand the attitudes of the workers employed by him, and will often be almost completely unaware of the social patterns and status systems which grow up amongst them in his factory. To the worker, his low status in society as a whole will at times be galling, especially to those of more than average intelligence and ability, but the majority usually accept it as part of the order of nature. What touches the worker far more closely is his position among his workmates within the factory, for here his status will constantly make itself felt directly in day-by-day social intercourse. Provided he is happy with his workmates and is received into their working group and finds his status within it, no problem is likely to arise. A recognised position in the group, especially one which takes account, as it is likely to do, of a man's personal qualities and abilities, gives stability and security to his social life. Industry, however, is essentially dynamic. Changing economic circumstances and changing techniques of production bring with them continuous changes in the organisation of the human beings in industry, and these changes inevitably affect men's status.

It is here that the employer's disregard for the individuality of the men he employs and his lack of knowledge of the social groups amongst them is likely to cause acute discontent. In making changes in the human organisation of the factory, the employer is likely unwittingly to ride roughshod over long-established customs and attitudes and to hurt people at points where they are most sensitive. Men

## *The First Principles of Industrial Relations*

who have acquired a high status among their work-mates may find their group broken up and themselves thrust into another group which does not recognise their status, or they may be asked to work under a stranger or see themselves supplanted after years of service by a new-comer of less experience. It is difficult to underestimate the amount of industrial discontent arising from such lack of knowledge and want of consideration on the part of employers. A background of bad personal relations caused in these ways is not infrequently the root cause of disturbances which break out ostensibly over other matters.

Up to this point in the discussion of the causes of discontent no mention has been made of the most obvious form of discontent in industry, the workman's discontent with the wages he receives. Wage questions are not only the most frequent cause of disputes, but the struggles fought around the rate of wages are some of the most bitter and prolonged. Why, then, have wage troubles been omitted from the discussion ? The reason is that just because industrial disputes so frequently revolve around wage questions many people assume that this is, if not the only, by far the most important *cause* of dispute and therefore do not stop to look behind the immediate *subject disputed over* to the underlying causes of dispute. Indeed both employers and workers themselves are very apt to fall into the error of thinking that industrial peace is only a question of paying sufficiently high wages, and disillusionment frequently follows when, after substantial wage increases, industrial troubles break out afresh. It is not difficult to see now that, though wages may be themselves a cause of discontent, their importance as a subject for dispute is greatly magni-

## *The Causes of Industrial Discontent*

fied just because so many other causes of friction exist.

The normal satisfaction of work, the pleasure of physical activity, the opportunity for self-expression and the development of personality through work, the self-esteem and self-respect derived from useful work well done, and the social esteem won by recognition from others of the importance of one's work are none of them, as we have shown, properly realisable under industrial conditions. Moreover, the conditions of industrial work have disintegrated the unity of the satisfactions of the craftsman. When a worker is employed by another he is at once to some extent separated from personal contact with the consumer of the product; and the more the division of labour is developed, the further is he separated from the person whom his labour ultimately serves. This separation hinders the operation of the motive of service to others and thus reduces its strength, and at the same time the division of labour reduces the satisfaction to be obtained from the work itself. Thus the satisfactions of work become divorced from each other, so that, in the pursuit of personal gain the satisfaction of having given good service is no longer obtained; and the pursuit of good service no longer brings the satisfactions of the craftsman, of social prestige or of personal gain. The motive of personal gain thus tends to become the dominating motive of the worker, for there remains little or nothing in work to make it worth while except the money that can be got out of it.

## CHAPTER VI

### *Wage Discontents*

FOUR major factors can be distinguished in the worker's discontent with his existing level of income and his demands for higher wages. The first has to do with the relation between the wages received and the subjective cost of the work, that is, the cost to the worker in terms of physical effort and mental stress. The other three have to do with the relation of the wage received to the level of living made possible by it and the level of living of other persons in the community.

The discontents aroused by the relation between wages and the subjective cost to the worker of carrying out a particular task are due to the fact that there is often little correspondence between wages, which are determined by the conditions of the market for labour, and the severity of the toil, which is determined not only by the nature of the work, but also by the physical conditions and the personal relations at the place of work. Whilst it is true that there are tendencies which operate to bring wages into relation with the energies required in any particular occupation, and that these operate more strongly when full employment promotes mobility of labour, it often remains true that the heaviest and dirtiest tasks are not the most highly paid, but the most poorly paid. The dirtiness and unpleasantness

## *Wage Discontents*

of some occupations 'is a cause of the lowness of the wage earned in them. For employers find that this dirtiness adds much to the wages they would have to pay to get the work done by skilled men of a high character working with improved appliances ; and so they often adhere to old methods which require only unskilled workers of but indifferent character who can be hired for low wages because they are not worth much to any employer.'<sup>1</sup> Further, as has already been pointed out, the cost of a given task to the worker is determined very largely by the physical and mental conditions under which it is done. These vary from work-place to work-place. Although there is a general tendency for labour always to seek the work-place where conditions are most satisfactory and where human relations are known to be happy, as is shown by the relative ease with which good employers can obtain the pick of the labour market, there are many obstacles and risks attached to a change of employment. These obstacles and risks often compel a worker to remain in a position where he feels he is being made to give more labour and endure more discomfort than the wage justifies. Sometimes, however, the discontent arises in an absolute form in which the protest is against autocratic methods of discipline or having to do a particular job at all. 'I don't think anyone ought to be asked to do a job like this', or 'No one should have to endure being treated like that' are remarks which carry their own story.

The discontents with wages arising from the relation between the wage and the standard of living it provides take three main forms. In the first place,

<sup>1</sup> Marshall, A., *Principles of Economics*, 6th Ed., p. 558.

## *The First Principles of Industrial Relations*

the wage a workman receives may not provide him and his family with the necessary physical basis for a healthy life, in terms of food, clothing and housing. This is an absolute deficiency in the level of living. Secondly, the wage a workman receives may not provide what he feels to be a reasonable level of living for him and his family. This is a relative deficiency in the level of living, that is, relative to a standard that depends on the general level of living of the community. Thirdly, though the wage a workman receives is enough to provide what he feels to be a reasonable level of living, it may give him an income which is low compared with what some other members of the community get. This is a relative deficiency in the level of living, not relative to the general standard of the community, but relative to what others may have and therefore to what is felt to be a just standard. This discontent with wages is a discontent with what is felt to be an injustice.

The amount of income necessary to maintain a healthy existence varies greatly from country to country and even from place to place within the same country, but it can be roughly calculated for any given place. The amount of money necessary to buy sufficient food for health and to provide adequate shelter and clothing and other necessaries for life can be estimated fairly closely. For any given time and place it is, therefore, possible to calculate approximately a level of income for each given size of family without which a healthy existence cannot be maintained. By comparing this with existing family incomes it is possible to ascertain how far they are sufficient to support life. Minimum Needs Standards

## *Wage Discontents*

have been calculated for many different countries, and from such inquiries it appears that over a large part of the world many industrial workers still do not earn enough to support a healthy life.

The relevance of this statement to the Western industrial communities may, however, be questioned. Whilst it is true that poverty of such intensity that it deprives workers of the means to live in health has now largely disappeared from them, it is still true that the standard of living of some industrial workers is not far above the poverty line. The basic minimum time wage of many unskilled workers will not much more than suffice to maintain them at the minimum-needs standard, particularly if they have large families to support. In conditions of full employment, earnings are, however, likely to be increased above the minimum time rate by overtime at increased rates of payment, enabling most men to earn sufficient to support themselves and their families above the poverty line.

The second cause of discontent with wages, that a man's wages may not provide what he feels to be a reasonable standard of living, is a relative matter, relative to what are the prevailing standards in the community. Moreover, what appears to the members of any income class to be a reasonable standard of living is usually one slightly better than they themselves are accustomed to, and thus varies for each level of income. Further, what any person considers to be a reasonable standard of living is seldom fixed, but is constantly moving towards higher and higher levels. It is only by constant but gradual increases in living standards and, consequently, in what is thought to be desirable, that the workers

## *The First Principles of Industrial Relations*

and the community as a whole gain by progress in the technical arts. Dissatisfaction arising from this cause is therefore only likely to be acute, if the machinery for the adjustment of wages does not readily pass on to the workers the gains of technical progress, and compels industrial conflicts before advances in levels of living become possible.

The problem of discontent with relative living standards is essentially a product of modern industrial progress, and one which is made more acute as the pace of scientific progress increases. Before the industrial revolution, levels of living were so static that men were content to live as their fathers had done, because the stimulus of new wants was not constantly held before them. Today each decade sees a new major application of science to produce a new product — the motor-car — the wireless — television — whilst continually there are new minor applications of science to produce new consumers' goods. The result is that the consumer is for ever stimulated to new desires, and new wants are deliberately created by means of skilful advertising. These applications of science constitute part of the progress in material standards of living, and unless the income of the worker is sufficient to bring them gradually within his reach, discontent with existing levels of income is the inevitable result.

The third cause of discontent distinguished above, the discontent arising from differences in income, has two different aspects though they are closely related. On the one hand, there is the relation between the wage level of different groups of workers and the discontent that may arise from changes in their relative position. On the other, there is a broader aspect.

## *Wage Discontents*

Discontent may arise from the much greater inequalities of income that exist between industrial workers and the professional and property-owning classes of society.

Let us consider the first of these. Each industry has its own wages structure, that is, the workmen employed in it are paid amounts which vary with their differing occupations. The wages structure is determined by many different factors which may be summed up as factors which influence either the demand for or the supply of labour in each different occupation. The more important factors on the supply side are the intelligence and skill required for a job, its relative pleasantness, its regularity and the bargaining strength of each group of workers, whilst the demand is chiefly determined by the demand for the product and the alternative methods of manufacture. The structure thus determined tends to become fixed by tradition and is, as a rule, only slowly modified as changing conditions affect it. Generally speaking, it seems to be the case that where a strong trade union exists and the wage structure is incorporated in a written document, the structure tends to be more rigid than when the market for labour is less well organised.

Any change in the wage structure bringing with it a change in the relative position of different groups of workers will tend to cause friction between them, as may a change which gives greater absolute amounts to some workers than to others whilst keeping the relative positions unchanged. An example is an increase in wages brought about by a rise in the cost of living. If the relative positions of skilled and unskilled is to remain unchanged, the increased

## *The First Principles of Industrial Relations*

payment which each receives must be proportional to their old wages. This will involve giving a greater absolute amount to the better paid workers and a smaller amount to the less well paid. It is likely to be considered very unfair by the latter group, especially as the rise in the cost of living which was the basis for the demand for higher wages is much the same for both groups. On the other hand, if a uniform increase in wages of the same absolute amount (say ten shillings a week) is given to the members of both groups, the relative position of the higher paid group is reduced and the 'differential for skill' becomes smaller. The status of the higher paid group is thus threatened directly by the relative loss of position on the income scale and indirectly by the implication that their skill is not so important. Not a few strikes have been directly caused by such loss of status.

The feelings that lie behind these discontents are very mixed. Broadly speaking, the reaction of each income group towards the next group above it, irrespective of how or why they came to have more, is a feeling in which injustice plays a prominent part: 'Why should they have more than I?' On the other hand, towards those who have less, the common attitude is that of self-justification: 'I am more important and therefore deserve more than that fellow'. The feeling of injustice, however, often works mainly in one direction towards those who have more, and for this reason complaints of injustice are often at root the product of envy. Envy of those who have more, causes industrial friction and unrest in industry all the way up the income ladder, from the lowest paid to the highest paid group,

## *Wage Discontents*

between workers of different income grades as well as between salaried grades. It may even go higher and cause friction between wealthy business men whose desire for wealth is partly due to a desire to show the world that they have succeeded better than the rest.

The motive of envy and the feeling of injustice are so closely intertwined that it is often impossible to say where one begins and the other ends. But though they are both causes of friction in industry the unrest caused by jealousy is as a rule trivial compared with that which springs from a sense of injustice. Whilst selfish motives produce endless friction, moral indignation against an injustice can produce a revolution; because moral motives can engender a real unity of purpose where selfish ones can produce only a temporary and uncertain alliance. The industrial discontent caused by feelings of injustice is, therefore, apt to have much more far-reaching effects, socially and politically, than unrest arising from envy because it can unify large groups of people in a common aim.

We may now turn to the broader aspect of the discontent arising from inequalities of income in society. The structure of society which determines that the owners of industry shall be one set of people who are more wealthy, whi'st the workers in it are another set who are less wealthy, seems to many workers to be unjust. This is because the distribution of wealth does not seem to be governed by any of the rational economic forces to which the worker is accustomed to look when he seeks an explanation of wage differences. Property owners do not seem to be necessarily more skilled or to take greater

## *The First Principles of Industrial Relations*

responsibility or to work harder than non-property owners. And where they are more skilled or hold more responsible positions, they seem to do so because their wealth has given them education and opportunity for advancement denied to the worker. In other words, wealth does not seem to be distributed according to ability or to need, but simply according to the accident of birth and the right of inheritance of property. Not only does this inequality seem unjust, but it seems an added injustice that because a man happens to be born poor he has to accept the orders of his employer who is rich. It is easy, therefore, for a picture to grow up in the workers' eyes in which on one side stand the employers who are wealthy and receive greater incomes, and on the other side stand the workers with smaller incomes who must take orders from them.

The feelings of injustice which arise in this way are powerfully reinforced by the fact that in large-scale industry the shareholders seldom have any contact with workers whom their capital employs. It is a familiar social phenomenon that resentment is more easily felt against an abstract idea of a person whom one has never met than where human intercourse provides a basis for understanding ; for where understanding prevails hatred cannot easily be present. Thus to the worker the absent shareholder is easily erected in imagination into the blood-sucking capitalist who is constantly drawing away part of the product of industry without in any way actively assisting in the work. The sense of injustice produced by these feelings becomes the basis for a common bond between all grades of workers against an organisation of society which perpetuates inequality.

## *Wage Discontents*

This revolt against what is felt to be a social injustice is the moral basis of socialism. It is also the reason why many of the organisations representing industrial workers so strongly support socialist political parties. There are, it is true, many other elements which together go to make up the general political development known as the 'socialist movement', but the moral fervour with which socialists so often hold their faith has as its basis a revolt against the injustice of industrial organisation.

The three types of discontent which have been distinguished as springing from dissatisfaction with wages are often inextricably intertwined in the worker's mind, sometimes one, sometimes another showing with greater emphasis, depending on the level of income, the intelligence and the education of the particular individual. To the man who has not enough to provide the physical basis of life, all three aspects may form part of his discontent, but sheer poverty is likely to preoccupy him to such an extent that the other discontents may find little expression. The workman who has more than this will probably be more concerned with the relation of his income to others' incomes. The skilled man earning a high wage who has enough to provide a good living is the one in whom the last of the three discontents, the sense of injustice, is most likely to prevail. It has frequently been remarked that the most militant sections of the working class are to be found not, as might be anticipated, among the worst paid on whom poverty bears most heavily, but amongst the skilled and highly paid who have an adequate standard of living. The reason is clear. The more educated and intelligent a worker is, the

## *The First Principles of Industrial Relations*

greater is likely to be his revolt against injustice, the less is he willing to put up with industrial discipline and the greater is his power to resist economic exploitation.

One further factor serves to strengthen all the discontents with wages which have here been distinguished. It has been pointed out that the chief characteristic of the system of private enterprise, so far as it affects labour, is the fact that labour is bought by the employer, and its products (produced jointly, with the aid of capital and enterprise) sold for private gain. Thus, at every point of contact between the employer and the worker, the relationship tends to be vitiated by a consciousness on both sides that the relation is one in which one party is making a gain out of the personal exertions of the other. This is not to say that the worker does not also make a gain, for it is characteristic of all economic transactions that they bring advantage to both sides, otherwise they would not take place. Two things, however, make the contract for the sale of labour different from the ordinary relation between buyer and seller. The first is the extreme inequality in the respective economic strength of the parties. The second is the fact that it is labour which is bought and sold, and that this involves the subjection of the personality of one person to the will of another. The worker is often very conscious of his economic weakness, that industrial discipline is forced upon him through this weakness and that the purpose for which the discipline is exercised is not the common good, but to make private gain for another out of his exertion. If, therefore, the worker is discontented with his wages, this consciousness will reinforce his

## *Wage Discontents*

dissatisfaction, for if he feels that his wages are lower than they should be and seeks the reason, the answer seems clear; someone is making a profit out of his labour.

Whether or not an employer is taking advantage of the worker's economic weakness and is exploiting him in the sense that he is not paying a 'fair wage'<sup>1</sup> may make little difference to the strength of the worker's dissatisfaction. Even if the employer pays more than a fair wage, if that wage is not, for whatever reason, enough to satisfy the worker's needs, then the dissatisfaction caused by the feeling of being sold for profit will come in to accentuate discontent. And, in so far as a feeling of injustice at the inequality of income prevails in the worker's mind, this sense of injustice will be heightened by the feeling that his relative poverty is due to his labour being used to increase the gain of others who have more than he has himself.

<sup>1</sup> 'Wages in any occupation are fair when, allowance being made for differences in the steadiness of the demand for labour in different industries, "they are about on a level with the payment made for tasks in other trades which are of equal difficulty and disagreeableness, which require equally rare natural abilities and an equally expensive training".'—Pigou, A. C., *Economics of Welfare*, 2nd Ed., p. 520, quoting A. Marshall.

## CHAPTER VII

### *Discontents arising from Ignorance*

WHETHER or not discontents are justified may make little difference to the strength with which they are felt, for the social situation in which the worker is placed is such that it may often give rise to discontents which have little or no foundation in fact. Thus, because the worker is particularly liable to exploitation he will often fancy that he is being exploited, in the sense that he is being paid less than a fair wage, when in fact he is not. Or he may imagine that his labour is helping to enrich a wealthy capitalist, when in fact the capitalist ~~may~~ have an income no bigger than himself. The beliefs and suspicions thus engendered are not the less a cause of discontent because they are not based on fact. They have their roots in the nature of industrial organisation and of the status of the worker in society, and may give rise to as much social disturbance as discontents more solidly based. This distinction makes it clear, however, that ignorance itself may be a cause of discontent.

There are three main forms of ignorance which may give rise to discontent. The first is one of the consequences of the division of function between management and labour and of the division of labour of which this is a wider aspect. It is the divorce of the worker from all contact with the

### *Discontents arising from Ignorance*

markets within which the firm must operate. On the one hand, the worker has no contact with the market in which his product is sold or with the consumers whom his labour ultimately serves. On the other, he has no contact with the markets in which the firm buys its raw materials and other supplies. He therefore has no knowledge of the consumers' likes and dislikes and the commercial problems of marketing the product, nor of the problems involved in purchasing supplies. The commercial side of the business is therefore a closed book to him. The same is true of the financial aspects of the business. Few workmen have any knowledge of the capital employed, the shareholders who own it, the profits made and how they are distributed between shareholders and reserves to maintain or expand the business. These facts and the complicated financial problems that arise from them are usually quite outside the workers' sphere of knowledge. The reason is partly that the majority of the working class, even including many of the more educated of them, have never been educated in a way that would enable them to understand these things. It is also partly because these matters are often deliberately concealed from the workers, and even where they are not concealed no effort is made to make the information accessible or to explain its meaning to anyone who is interested to learn. It is therefore perhaps not unnatural that the worker should easily imagine that there is something to hide and that the firm which employs him is making large profits from his labour.

The second main form of ignorance is that the average worker in a large factory has usually the most vague ideas of the nature of the work of the senior

## *The First Principles of Industrial Relations*

executives of the firm. If the worker knows nothing of the commercial and financial organisation of the firm, he cannot appreciate the sort of problems to which those sides of the business give rise and the business knowledge and techniques used by the management in solving them. Moreover, because the worker is separated from the organisation and administration of the internal affairs of the firm, he will have little conception of the difficulties and complexities with which the manager of a large firm is faced daily. This lack of understanding of the nature of the work of business administration is likely to lead the worker to underestimate how exacting the work of an administrator can be, and to fancy that the manager does nothing but sit comfortably in his office issuing orders for others to carry out.

Thirdly, the worker often has little information which could help him to understand things much nearer his daily work than major problems of business. It is not unusual to find that factory workers know very little indeed of such simple matters as the output of their department, the relation of this to the output of other departments and to that of the firm as a whole. It is even not at all uncommon to find workers who are comparatively ignorant of their own place in the organisation, of why the particular task they perform is necessary, of what place it has in relation to other workers' tasks and of the technical processes involved in their work. This is not to deny that amongst skilled workers there often exists a very high level of knowledge relating to technical processes ; but the extent of this knowledge varies greatly from trade to trade, and amongst the unskilled it may be rudimentary or lacking alto-

### *Discontents arising from Ignorance*

gether. Therefore the workman is often not in a position to understand the reason for the orders he receives, even when they concern things with which he has direct contact and he could do so if explanations were given. If the worker does not appreciate the reasons for the orders he receives in their nearer implications regarding the work he does, still less can he understand their more ultimate purpose in the management of the business. The reasons for factory rules, for changes in personnel or in methods of organisation of work, for spells of overtime or the enforced idleness of short time may often not be explained. And this may easily give rise to suspicion that their purpose is simply the better exploitation of the worker.

Lastly, if the worker does not understand the reasons for the orders he receives, he cannot appreciate the motives which lie behind them. The employer's actions will, therefore, always be liable to misinterpretation and may easily give rise to fancied causes of discontent. Where misunderstanding has persisted for any length of time and a bad state of industrial relations has grown up, the workman may have become so prejudiced that any action on the part of the management will always be misinterpreted. If good canteen and welfare facilities are *not* provided it will be said that the management does not care about the workers. If they are provided, however, it may be said that the firm is making large profits by exploiting the workers and is seeking to escape taxation by expenditure which can be set against profits.

The same may be true of the employer. In so far as he misunderstands the workers' motives, he is

## *The First Principles of Industrial Relations*

likely to misinterpret their actions and to take steps which are more likely than not to heighten existing discontents because they are based on a false estimate of the situation. Where employers and workers are in close personal touch with one another this is not so likely to happen as in large firms where the management is far apart from the workers. Nor is it so likely to arise where the employer and workers are drawn from the same social class as when, as is more usual, they are drawn from very different classes of society, with different degrees of education and different manners, speech and social outlook. Under these circumstances, mutual ignorance of the motives of the other side is likely to provide a fruitful ground for misunderstanding. In the absence of any other cause, such ignorance would be enough to bring about friction between employer and worker. But as an underlying factor in a social relationship which is fraught throughout with potent causes of strife, ignorance is likely to be a constant source of industrial discontent.

## CHAPTER VIII

### *The Signs of Discontent*

AT the beginning of this book the term industrial discontent was used to include all the various manifestations of discontent which are found in industry. It is now possible to draw certain distinctions between the different forms assumed by industrial discontent, and to draw attention to the connection between discontent and its various manifestations.

Discontent may show itself either in the unrelated actions of individuals, that is, in unorganised forms, or it may show itself in a deliberately organised form. The signs of unorganised discontent which result from each individual taking whatever steps he can in pursuit of his own happiness are a high rate of labour turnover, absenteeism and general inefficiency and unwillingness at work. An organised expression of discontent generally takes the form of a strike or a threat of it, or the collective refusal to obey some order, or organised restriction of output. Whilst the latter are universally recognised as symptoms of unrest, the former phenomena are seldom so looked upon, but they are perhaps more important as signs of human unhappiness than the less common and more spectacular organised struggles.

If a worker is dissatisfied with his work for any reason, whether because the physical surroundings

## *The First Principles of Industrial Relations*

or personal relations are unsatisfactory, or because his wages are insufficient and he is unable to secure redress, to leave work and seek another employer is his last resort. Thus, if workmen remain with an employer for only a short time and then leave of their own accord or are dismissed, so that a constant flow of labour passes through the firm's doors and the rate of labour turnover is high, this can generally be taken as a sign of industrial discontent.

Movements of labour from place to place and from firm to firm in the same locality may, however, have another cause. They are the normal way in which adjustment takes place in the supply of labour in response to changes in the demand for it. Moreover, a change from one job to another is the only way a young workman can secure wide experience and is often the only way in which promotion to more responsible and better paid work can be secured as family responsibilities increase. Therefore, the normal rate of turnover varies greatly between different countries and between different localities in the same country, depending on many different factors the chief of which are the nature and economic stability of the industry, the sex and skill of the workers and their traditions and attachment to a particular industry or locality. In all industrial communities, however, there are many firms where the rate of labour turnover is far above anything which can be explained by normal circumstances. In such cases investigation will often show a definite connection between the rate of turnover and bad industrial relations within the firm.

If the worker cannot find another and more tolerable job, his second line of defence against work

## *The Signs of Discontent*

which is a constant burden and frustration to him is to be absent from it as often as he can afford and as often as will not involve his dismissal. Absenteeism is a sign that work is temporarily intolerable to an extent measured by the wages which will be sacrificed to escape from it. Absenteeism is, therefore, a remarkably good measure of the social and psychological forces focused on the worker, some of which drive him to work whilst others make work distasteful. High absenteeism rates are not uncommonly found at work-places that suffer from a high rate of labour turnover; and both may be regarded as different forms of expression of the same underlying causes of discontent.

Some voluntary absenteeism has social causes other than discontent with work, but the amount due to such causes is usually small amongst adult male workers. Amongst women, however, particularly married women who have a family to look after, home responsibilities may lead to a high rate of absenteeism which is not connected with discontents at work.

Involuntary absenteeism due to ill-health or accident is another form of absenteeism which normally has no connection with the contentment of the workers. It is well recognised, however, that there is often a connection between high rates of voluntary absenteeism and high sickness rates, and that the two are often found together. The reason is that where discontents are rife, the stresses and strains of work may be so severe as to lead to nervous exhaustion and consequent ill-health. Neurasthenia is a not uncommon word on medical certificates presented as proof of absence due to illness. Even where the

## *The First Principles of Industrial Relations*

work does not cause ill-health, if the workers are strained and unhappy at work, minor ailments will be seized upon as an opportunity for absence and thus give rise to high rates of involuntary absenteeism. On the other hand, contented workmen who feel themselves to be part of a team will be anxious not to let the others down and will disregard ailments which might be good cause for staying away. High rates of involuntary absenteeism due to sickness may therefore conceal much discontent.

A discontented worker who can neither find other work nor absent himself for fear of dismissal is likely to be extremely inefficient at work. Many workers will deliberately 'go slow' if they are discontented, partly to show their resentment and partly because they have no incentive to do more than the minimum amount of work necessary to avoid dismissal. Slow work may also be a deliberately calculated move against the fear that the employer will speed up the rate of work, and amongst piece-rate workers that the piece-rate will be reduced if they go faster. On the other hand, many workers, whilst not consciously working slowly, will be extremely inefficient as a result of mental conflicts arising from acute discontent. The work of industrial psychologists during the last twenty-five years has shown how closely mental contentment and efficiency at work are related. When, therefore, an employer makes a general complaint that all his labour is inefficient, as distinct from the inefficiency of particular workers, it is reasonable to suspect that the inefficiency complained of may be due to bad industrial relations.

Whilst high rates of labour turnover, absenteeism and a general lack of efficiency are all possible signs

### *The Signs of Discontent*

of discontent, they come into prominence chiefly during periods of economic prosperity or war when there is a shortage of labour. At such times employers who are short of labour will tolerate the persistent absentee as well as an inefficient worker. Labour turnover increases because workers who dislike their work can easily find other employment. Moreover, high wages in prosperous times make it easier for workmen to afford the loss of earnings which absenteeism or moving to another job will cause them. On the other hand, when there is unemployment, labour turnover tends to be reduced because anyone who has a job holds on to it for fear of not being able to find another. Absences and inefficient workers are also usually quickly dismissed.

Full employment, therefore, tends to reduce the weight of the economic compulsion to work and especially to work for a particular employer. It thus lowers the threshold at which the worker can act in defiance of discipline without suffering the penalty of dismissal, and weakens the control which employers exercise through it. At such times the problems of labour turnover, absenteeism, indiscipline and inefficiency become acute for employers who in the past have relied on economic sanctions for obtaining good behaviour. And this leads to many complaints of indiscipline and to public discussion of its causes.

The signs of organised discontent, the strike, the organised 'go slow' policy, and demands backed by the threat of a strike, afford little real means of gauging the extent of industrial discontent. Whether or not industrial discontent crystallises into an organised demonstration or remains unvocal and

## *The First Principles of Industrial Relations*

unorganised depends on a host of social and economic factors of which only the main ones can be mentioned. In the first place, the extent to which strikes are resorted to depends chiefly, though not wholly, upon the strength of unionism amongst the workers, that is, whether they have a real underlying unity of purpose which springs from the pursuit of a common interest. The factors determining the degree of cohesion amongst a group of workers are partly to be found in the nature of the work they do, the extent of the skill required for it and the common social background. Some groups of workers the world over have a high degree of cohesion and habitually resort to strike action as an expression of discontent. Amongst other groups there is so little cohesion that an organised expression of discontent is rarely found. Miners, whether of coal or other minerals, are an example of the former, and young unskilled women, whether in the clothing or other trades, an example of the latter. There may be just as much discontent in the one as in the other, but in the one it will show itself in strikes and the other only in a high rate of labour turnover.

In the second place, given the strength of unionism, whether strike action will be resorted to depends on the economic position of labour, both generally and in the particular industry concerned. In general, if labour be scarce, so that an employer cannot easily dismiss men and replace them by others, the workers' fear of unemployment is reduced and the threshold at which a strike may take place is lowered.

Lastly, the likelihood of a stoppage of work depends a good deal on the relative importance of labour

## *The Signs of Discontent*

and capital in the industry under consideration. Where wages are a high proportion of the costs of production, as in coal mining, it is difficult for the employer to meet a demand for an increase in them because it would increase the price of the product. On the other hand where, as in the steel industry, labour costs are a small part of the total, a considerable increase in wages will have only a small effect on the total costs of production and hence on the selling price. In the latter situation, moreover, where the capital equipment is very expensive, the employer will be specially anxious to avoid the loss involved if it stands idle. He will, therefore, both be more easily able to afford an increase in wages and be less willing to risk a strike than where capital costs are low. All this means that, other things being equal, strikes are more likely the greater is the workers' bargaining strength, and the stronger the trade unions. This is especially true where unions have grown rapidly and the workers are in a mood to use their new found strength.

Other things, however, are not always equal. Where the workers are in an exceptionally strong bargaining position, due perhaps to the large amount of capital employed, the employer will seldom refuse any reasonable demand. The men will have no need to strike. Moreover as unions grow bigger, their strength increases and they gradually become an accepted social institution. They then tend to rely more on bargaining and less on direct action to achieve their aims. This is partly because, as size increases, so do the risks involved in a strike, the consequences of which may affect a large section of society. It is also partly because the leaders tend to develop

## *The First Principles of Industrial Relations*

a wider social consciousness of their responsibilities not only to their members, but to society at large.

Though all cessations of work organised by the workers are called strikes, there are two forms of strike which are very different in character, and which arise from different causes and under different conditions. There is the *minor strike*, usually confined to a single work-place and lasting for a very short period, often not more than a few days. There is also the *major strike*, involving many firms or a whole industry, and usually lasting for a longer period. The two forms shade into one another, but at the extreme they are quite distinct in character.

The minor strike is usually a spontaneous expression of an overwhelming dissatisfaction with a particular set of circumstances which affect a relatively small group of workers. It is seldom preceded by negotiations and often occurs so suddenly that neither the management nor the union leaders anticipate it. As it is not called by the union, it is frequently not 'recognised' by the union in the sense that the funds of the union are not used to support the strike. It is then called an 'unofficial' or 'wild-cat' strike. The union frequently urges its members to return to work, and negotiations do not take place until the strike has occurred. The causes of minor strikes are usually local questions of discipline — the dismissal of a worker, objection to a bullying foreman, the enforcement of factory rules, safety questions or a demand for some welfare facility — or economic issues affecting a particular group of men arising from the local interpretation of a national agreement. If it is not settled locally, perhaps because it involves some principle concerning an agreement

## *The Signs of Discontent*

which covers other firms, it may tend to become the cause of a major strike involving many firms or the whole industry.

The minor strike is resorted to at all times by groups of workers amongst whom there is great cohesion. But in times of scarcity of labour it becomes more and more frequent among less cohesive groups and will sometimes occur even among non-unionised workers who would never use the major strike as a deliberate bargaining weapon.

The major strike, on the other hand, is one the likelihood of which can usually be foreseen for weeks beforehand. It is nearly always preceded by negotiations in which the trade union takes part and often involves many firms or a whole industry. If the negotiations fail, the union asks its members to strike and supports them with union funds. It is thus an organised trial of strength after a failure of negotiations. There is nothing spontaneous about a major strike, though what starts spontaneously as a minor strike may develop into the deliberately fought battle of a major strike. The causes of dispute in major strikes are, as a rule, important economic issues, questions of hours or wages or such general questions as the recognition of a union, which extend far beyond the confines of a particular establishment. Because a major strike is a deliberate trial of strength, great efforts are usually made to avoid it, but, if they fail, the importance of the issues involved is apt to prolong the struggle.

Enough has been said in this summary account of the factors influencing a resort to a strike, to show that, whether or not discontent takes the organised form of a strike, is determined by so many diverse

## *The First Principles of Industrial Relations*

influences that the number of strikes is little use as an index of the extent of industrial discontent. If the number of strikes increases, all that can truly be said is that discontent is showing itself more in the form of strikes, whilst a decrease in the number does not mean that discontent is less. It may merely mean that discontent is finding expression in other ways or even that it is not finding expression at all.

## CHAPTER IX

### *The Remedies*

THE analysis of the causes of industrial unrest contained in the previous chapters has shown that the workers' discontents have no single source. They spring from the interaction of many different forces, some social, some economic, others psychological and others again purely physical. To suppose that any simple remedy can be propounded for discontents so widely varying in character, is to underestimate the complexity of the social problem. But there are not wanting ardent advocates of all kinds of schemes, ranging from profit-sharing and varying forms of co-partnership to elaborate piece-rate systems of wage payment, who believe that by such means alone the problem of industrial discontent can be solved. It would be no exaggeration to say that in the problem of industrial unrest are focused nearly all the major problems of social organisation. In the last analysis the remedies would be found to involve modifications in the economic aspects of our social organisation, and in its political structure and also in individual and social morality. No such high theme will be pursued here. The intention of this chapter and those which follow is to indicate, but not to examine in detail, some major problems without a solution of which no industrial peace is possible, and to outline shortly the directions in which the remedies will probably be found to lie.

## *The First Principles of Industrial Relations*

What are the major problems which must be solved in seeking to remove the causes of industrial discontent? They can be grouped under seven main heads. First, there is the problem of the division of labour and all the consequences that flow from it of monotony, lack of interest and physical strain. Secondly, and this follows from the division of labour, there is the problem of the control that must be exercised by individuals over the lives of others; the problem of industrial freedom. Thirdly, there is the problem of how the common interests of controller and controlled, or in capitalist society of employer and worker, may be developed so that co-operation for a common end may reduce the burden of discipline. Fourthly, there is the problem of how to remove the worker's economic disabilities which arise from inequality of bargaining power, and the insecurity which lies at its root. Fifthly, how may the proceeds of industry be most fairly shared? Sixthly, how may inequalities of income be reduced? And lastly, what is the best form of the ownership of capital? The first three of these are fundamental to modern industry everywhere irrespective of the form of society or the method of ownership or control. The last two both bear closely on the problem of industrial relations, but also involve much wider considerations of industrial efficiency and the structure and political organisation of society.

There can be no ready-made solution to these fundamental social problems. Nor can it be expected that the answer to any of them lies in any sudden change imposed upon industry from outside. The answers are more likely to be gradually worked out

### *The Remedies*

through a process of social evolution in which the co-operation of many different social agencies will be needed, each in different ways making its own contribution. Employers individually and collectively can do much, because the executive function in industry is theirs and the initiative therefore lies chiefly in their hands. The trade unions can contribute both by working out policies that will enable their members to take their place as partners in industry, and by increasing their education and understanding of industrial problems. The State can actively help to remove industrial discontents by a framework of laws which encourage the growth of good relations, by encouraging employers and workers to experiment with and adopt constructive policies, and by educating the public generally in the social problems which are involved.

Because we are concerned with the fundamentals of industrial relations, it would be out of place to offer prescriptions for industrial peace or to concern ourselves with the details of immediate methods of improvement. The intention of the chapters which follow is rather to show how the solution of some of the problems is already being partly achieved by various means, to discuss some of the main difficulties, and to indicate the general direction in which the remedies might be sought.

## CHAPTER X

### *The Contribution of the State*

IN Western industrial countries the State performs a twofold function in industrial relations. In the first place, it maintains a balance between the freedom of private ownership of property and the freedom of the industrial worker. In different countries and at different times the balance has varied, depending upon the attitude taken by the State and ultimately upon the relative strength of different political forces. Sometimes the balance has veered towards greater freedom for property owners, sometimes towards greater freedom for the workers, but latterly in most countries the freedom of industrial workers has been very considerably increased and at the same time freedom in the use of property restricted. To modify the balance, the State has two basic methods at its disposal which may be used either alone or in combination. On the one hand, it can seek to redress the inequality in the bargaining strength of the two sides by removing the worker's economic disabilities and leaving him to make his own bargain on a more equal footing with the employer. On the other hand, if this method fails to give adequate protection to the workers, the State can, by law, directly restrict property rights and enforce minimum wages and conditions of employment.

In the second place, the State usually intervenes

## *The Contribution of the State*

to a greater or lesser extent in industrial disputes in order to hasten their settlement and limit their severity. The maintenance of order and the settlement of disputes between citizens are two of the normal functions of the State everywhere. The State may intervene in industrial disputes by a number of different methods varying from persuasion through varying degrees of compulsion to the legal enforcement of terms of settlement. Where the State adopts the latter course, and determines and enforces a decision in every case of dispute, the method may approximate to those already mentioned in the previous paragraph as a means of protecting the worker, *i.e.* the legal fixing of minimum wages and conditions.

Without attempting to go into the details of these methods, we may now consider some of the more important ways in which the State can intervene to strengthen the bargaining power of the worker. The first essential is that the workers should have the right, sometimes known as freedom of association, to form trade unions and to join any trade union which may seem best to them in pursuit of their own interests. Whilst the law may not prohibit the formation of trade unions it is not enough that they should merely be legal. No effective organisation of the workers will be possible if it cannot hold property, if it is liable to prosecution for conspiracy or sedition when it takes action to support its members' interests, and if it is illegal to strike. These are the effective conditions for freedom of action.

It follows as a corollary of freedom of association that men must not be compelled to join any union. Where workers are compelled to join a union against

## *The First Principles of Industrial Relations*

their will, whether the union is one formed by the employers, the State or other workmen, it is likely that the union will become a means of governing their actions in the interests of others, of the employers or of a totalitarian state in the case of State unions. Under such conditions a trade union may cease to give protection and become an instrument of exploitation.

The extent of State intervention necessary to secure effective freedom of association varies from country to country, according to their legal forms. In some, the workers are capable of taking effective steps in their own interests without relying heavily upon the assistance of the State. In others, where the level of education and of experience in organisation is less, the State may have to give more explicit and extensive rights. It may, for instance, be necessary to give the union the right to be recognised by the employers as the workers' bargaining agent, and thus compel the employers to negotiate.

The worker's economic difficulties cannot, however, be solved simply by the formation of an effective trade union. So long as unemployment exists and the employer can dismiss a man with the certainty of being able to obtain another, the worker's economic problem is incapable of solution. Unless, therefore, the worker is guaranteed a market for the sale of his labour, no trade union will be of much avail. The fundamental problem to be solved in this connection is how to maintain full employment.

There is a further important reason why full employment is necessary for the development of good industrial relations. Whilst labour is plentiful, employers have little incentive to seek out better

### *The Contribution of the State*

methods of maintaining discipline, for the simplest solution to every difficulty is to dismiss the worker concerned. So long, therefore, as any individual worker can be immediately replaced by another, labour is bound to have a low status in the employer's eyes. And the fear of unemployment will lead the workers to restrict output and be the cause of friction with employers. The two world wars of this century both brought about a considerable improvement in methods of labour management, mainly because, on both occasions, but particularly in the period during and after the Second World War, the workers have had full economic security and therefore a much improved economic status. This has led to a vigorous search for better methods of management, to improvement in foremanship, to joint consultation and many other improvements in industrial relations within the factory. This is not the place to discuss how far the cyclical fluctuations of employment, which were a normal feature of most industrial societies until the Second World War, can be permanently avoided. For our purpose, it is only necessary to insist that no great improvement in industrial relations is likely to take place without the maintenance of full employment.

Of secondary importance to the problem of how to maintain full employment, but complementary to it, is the problem of how to provide the worker with security against the risks of ill-health, accident, old age and temporary unemployment. Full employment can greatly increase the economic strength of the worker, but it cannot protect him against the many risks of temporary loss of income to which his dependence on the sale of his labour exposes him.

## *The First Principles of Industrial Relations*

Moreover, even where a general level of full employment exists, temporary lapses from full employment in particular occupations are inevitable owing to technical and economic changes. Social security provided by the State against temporary loss of employment is the worker's only refuge against having to accept almost any wage the employer may offer.

Security against such risks has always been one of the chief things demanded by workers' organisations, and before the advent of State schemes of insurance many working-class organisations, trade unions, friendly societies and clubs provided some measure of security through voluntary contributions. The worker's income is, however, seldom if ever sufficient to enable him to provide an adequate margin of security. But where the State steps in to provide security by means of compulsory contributions, two dangers arise. On the one hand, too large a part of the worker's income may be compulsorily deducted from his wages to pay for social security benefits. If this happens, the proportion of the worker's earnings that are left to his independent use may be so reduced that he is put in virtual tutelage to the State, and at the same time the compulsory deductions may make it impossible for him to make any independent provision for himself. Where this happens, independence, self-respect and initiative are sapped, and freedom lost rather than gained. On the other hand, unless rates of benefit are high enough in relation to a man's normal wage to safeguard him against severe economic distress and their continuity adequate, the security offered will be ineffective. But if benefits come near to what an unskilled man might normally

### *The Contribution of the State*

earn, and particularly if the benefit takes the form of a family allowance paid according to the number of children, there will always be some people who will be tempted to avoid work and live upon what they can get from the State. Both these dangers suggest that social security can be pushed too far. But adequate security is of fundamental importance for good industrial relations, both because of its direct effect in strengthening the worker's economic position and because it indirectly raises his status.

Lastly, the State can considerably strengthen the worker's economic position by providing a system of labour exchanges at which all demands for labour are centralised. This enables a worker to ascertain easily where vacancies exist and the wages and conditions which attach to them. By this means his bargaining strength is greatly increased, his mobility facilitated, and it is made easier for him to find a job suited to his abilities and temperament. In these ways the systematic organisation of the labour market can greatly contribute to the improvement of industrial relations.

All these methods of increasing the economic strength of the industrial worker are indirect methods in the sense that they add to his bargaining power, but leave him alone to make whatever terms he can with the employer over wages and conditions of work. It may well be the case, however, that these means are inadequate. In many trades, particularly those carried on in small scattered workshops or those which are seasonal and therefore subject to sharp fluctuations, or which employ very unskilled casual or part-time labour, it may be impossible for the workers to form a trade union or bargain collectively.

## *The First Principles of Industrial Relations*

If this is the case, wages and conditions of work are likely to be very bad, and, if there is unemployment, severe exploitation of labour may result. Under these conditions the State often intervenes directly to regulate the actual terms of the bargain by which the workman is employed. There are several ways in which it can do this.

The State may either fix by law a minimum wage below which no person may be employed, or it may delegate its powers to an industrial court with jurisdiction over all industries, or to industrial boards or other special authorities for each separate industry. The power of the State to fix a universal minimum wage by legislation is, however, very limited. Any minimum wage fixed in this way must be set at such a level that it will not be above what the lowest paid normal adult worker is worth to the employer. Otherwise, the worker will lose his employment. As a rule such a wage, therefore, has comparatively little influence on the wages of the great majority of workers and is ineffective except in giving some protection to the lowest-paid workers, who might otherwise be exploited. If, however, the State delegates its powers to a special wage-fixing authority, either central or for each industry separately, the minimum wage can be varied to meet the economic circumstances of time and place, and thus be adjusted to form a very effective means of ensuring that the wage earner obtains a fair wage.

The State can also partly redress the worker's disadvantage of having to sell his labour under whatever conditions the employer provides. Most industrial processes involve dangers to life and limb, and sometimes the risk of injury or poisoning from

### *The Contribution of the State*

the materials used. Because these consequences are too serious to be allowed to be a matter for bargaining, and because the remedies often involve the application of the exact technical knowledge of engineering and medicine, they are usually controlled by legislation. Factories Acts and similar instruments lay down minimum standards of safety and health, and often go further and insist that reasonable standards of cleanliness and comfort shall be observed. Because of the vast range of detail involved, such legislation can only be made effective if it is implemented by the work of technically qualified inspectors. By these means the workman can be given some assurance that, wherever he sells his labour, he will be safeguarded from being compelled to work in insanitary or dangerous surroundings.

In all these ways the State can successfully intervene to remedy the worker's economic weaknesses, to place him in a position of more nearly equal bargaining power with the employer and to a considerable extent prevent the discontents that arise from absolute poverty. Such measures do not, however, do much to eliminate the discontent which arises from relative poverty, that is, from inequalities of income. For these the State has other remedies. By taxing the income of the rich more heavily than that of the poor, incomes may be made more equal. They can be further equalised by the payment of family allowances and other monetary benefits to the poorer sections of the community and by the provision of social services which mainly benefit the poor. Further, the State can help to prevent the growth of large fortunes by means of death duties and so make the distribution of wealth more equal.

## *The First Principles of Industrial Relations*

At the same time it can help to equalise the opportunities for securing well-paid work by means of free education and scholarships. These are the familiar means for bringing about greater social equality now accepted everywhere, and they do much to improve the worker's status in society. They work slowly but surely.

The power of the State to bring about equality of income by these means is, however, seriously limited. As society is at present constituted, it is built upon two fundamental economic driving forces: desire for gain and the fear of poverty. It is impossible to carry taxation of large incomes beyond a certain point without greatly reducing the incentive of private gain which leads men to risk their property in business and to save and invest for a future return. It is similarly impossible to carry beyond a certain point direct monetary payments (in the form of family allowances or other grants) to the poorer sections of the community without greatly reducing the incentive to work to avoid poverty.

Thus in the present state of society in which the private ownership of property and freedom of enterprise are the main economic motivating forces, inequalities of income are inevitable and the discontent which results from them is inevitable too. Indeed, as we saw in the introduction, such discontent has social approval if it leads men to strive to increase their income. But if, as must be the case with the great majority of industrial workmen, their economic freedom is very limited and their prospects of improving their economic position very small, the discontent is, so to speak, sterile. Inequalities of income, then, perform no social function.

## *The Contribution of the State*

The degree to which equalisation of incomes can be carried is therefore limited by the existing economic organisation of society. It is nevertheless possible, within the existing framework, to reduce inequalities considerably without damaging economic productiveness. The end which can be most immediately pursued is, therefore, that of creating a state of society in which the incomes of most men fall within a moderate range, and extremes of both wealth and poverty are avoided.

The more ultimate question of how to reduce inequalities further, or abolish them altogether, involves the whole question of how far there exist alternative means of equal efficiency to private enterprise for controlling industry and allocating economic resources to their most profitable use. It also involves the problems of how far it is possible to inculcate, by education or other means, a different morality which will place service to others above personal gain, and how far the motivating force of such morality can equal in strength the motive of personal economic gain. These are fundamental problems to be overcome in the search for industrial peace and social harmony.

There remains to be discussed the problem of how the State may best intervene in disputes between the organised forces on both sides of industry. To describe in detail the methods that have been tried would lead us far afield, but from experience there appear to be certain fundamental principles of State intervention.

The first is that it is far better that the two sides should reach agreement themselves without any outside help, than that they should become accustomed

## *The First Principles of Industrial Relations*

to rely on the State to mediate or arbitrate between them or to enforce their agreements. The reason is that direct negotiation leads both sides to a better understanding of the views of the other and encourages the growth of personal respect for each other. Moreover, agreements thus reached are more likely to be honoured and give rise to less friction in the observance than if they are decisions handed down by a court and enforced by law.

Secondly, the State should only intervene when all efforts made privately to reach agreement have failed. Otherwise the disputants will tend to rely upon the State and will not endeavour to perfect and use their own means of reaching agreement. Where, however, there is a failure to reach agreement the State usually steps in and offers the services of a conciliator to assist in reaching a settlement or provides arbitration. The last resort of the State, if arbitration is refused, is to institute a public inquiry into the causes of the dispute. This often has the effect of moderating the attitude of both sides, who wish to appear reasonable in the light of public opinion, and thus a settlement becomes possible.

Thirdly, it seems best that arbitration should only be used when both sides agree to accept a decision. Compulsory arbitration, *i.e.* a system by which a court gives a decision which is legally binding and in which strikes or lock-outs are illegal and subject to penalties, has been used fairly widely in time of war and permanently in some countries. But it has been found by experience that it does not prevent strikes. The State cannot prevent any action, by simply making it a crime, if a large body of citizens regard it as civil liberty and are determined not to

### *The Contribution of the State*

obey the law. Compulsory arbitration is only likely to be effective, either if the method has the general support of public opinion and of both sides, or if the workers' organisations are too weak to strike successfully, and therefore welcome the protection of the State. In countries which have adopted the system permanently, both these reasons usually exist. But the consequence is that an adequate system of industrial relations independent of State tutelage often fails to develop in these countries. Because the power of the State to settle disputes is largely limited by the good-will of both sides, it is therefore very important that all methods of settlement should be designed to encourage the growth of such good-will.

In the non-economic spheres of industrial relations the powers of the State to remedy the worker's discontents are subject to the same limitations. The State can only direct men's actions in relation to persons or things ; it cannot control their motives. Though it may erect a framework of laws which encourage the development of good motives rather than bad, by giving an opportunity for the free-play of the good, it has no power directly to intervene in human relationships between employer and employed. Therefore on all questions of discipline, methods of management, methods of consultation and the like, the State can do little to compel men to follow a given way. In these spheres the powers of the State must mainly be exercised by education, persuasion and example. There are no automatic methods by which good relations between men can be produced.

## CHAPTER XI

### *The Contribution of the Trade Unions*

THE methods which the State can employ to remedy the worker's economic weakness and the limitations of State action in this direction have been dwelt upon at some length, because in the economic field the State is perhaps the most important social agency. But, without the help of a strong trade union, the worker is still economically at a grave disadvantage in spite of the help he may receive from the State. He remains one individual amongst many, having to make whatever bargain he can with the employer under disadvantageous circumstances. Though he may be protected by a minimum wage enforceable at law, by a Factories Act which lays down minimum standards for the physical conditions of work, and by other Acts intended to ensure his fair treatment, there are still innumerable ways in which an employer may take advantage of his weakness and which the State is powerless to prevent.

When, however, the workers are organised in a trade union their disadvantages is greatly reduced. Broadly speaking, unions have two main ways in which they look after their members' interests. On the one hand they seek to protect the individual from the worst consequences of having to put himself under the control of the employer. We have seen

## *The Contribution of the Trade Unions*

how the management of a business controls in detail the life of the worker at the place of work; how few men have the ability to exercise control without causing friction and how the management hierarchy in a large enterprise may completely fail to appreciate the effect of orders on the people who have to carry them out. A union, however, can make its members' views on the arrangements of their work felt by the employer. It can set limits to the executive discretion of the employer and protect its members against unfairness or favouritism.<sup>1</sup> Moreover, a trade union gives the individual workman the support of an organisation able to make representations on his behalf, which he himself could not do either for fear of dismissal or for lack of knowledge, and can safeguard his interests in many other ways.

On the other hand a trade union can greatly reduce the economic disadvantages of the workers. When they are organised the disadvantage which springs from their numbers compared with the number of employers disappears and collective bargaining over wages can take the place of individual bargains. Further, collective bargaining enables the workers collectively to stipulate for many matters connected with their employment which the individual workman would be unable to do. It enables a collective agreement over the main conditions of work, the hours of work, overtime, methods of wage payment, holidays and many other matters to take the place of an individual agreement.

The economic disabilities of the wage earner and the inability of the State to give him complete

## *The First Principles of Industrial Relations*

protection are the social justification for the development of strong trade unions. But this is a negative justification, that they prevent an evil. There is, however, good reason for believing that trade unions promote social well-being in a more positive way. In industry the forces of competition and the search for profits always tend to take the line of least resistance. If labour is unprotected by a union, the employers' search for the means of reducing costs is likely to take the form of a reduction in wages rather than greater efficiency. Thus the desire for profit will tend to lead to the exploitation of the human factor in industry instead of leading to better organisation or the greater use of such non-human factors as capital. The constant pressure of trade unions to make labour dear is, in fact, one of the greatest forces contributing to the search for efficiency. There are many examples to show that advances in wages or other conditions of labour, at first thought to be impossible for industry to bear, have been found to be easily borne as a result of reorganisation of methods or the introduction of new machinery.

Unionism also has another important function. It is the only means by which the workers can ensure that the fruits of technical progress are passed on to them and that they will share in the prosperity of the industry in which they work. Here and there, individual employers may be willing to give the workers guarantees of sharing in the proceeds of their joint activity through profit-sharing or similar schemes. Experience seems to show, however, that only a few firms can be expected to adopt such schemes. For the great majority of workers in industry, a well-organised union able to bargain on

## *The Contribution of the Trade Unions*

equal terms with the organised employers is the only means which can give any assurance of sharing in the gains of industry. This is equally true of industry under private enterprise or under varying forms of public control. From all these arguments we may conclude that in the economic sphere well-organised trade unions are essential for the fair treatment of labour. Without their existence it is impossible to maintain or to develop good industrial relations.

Strong trade unions are therefore the fundamental basis on which good industrial relations must be built. But no narrow view of the function of a union as a purely economic bargaining machine designed only to secure an equitable distribution of the proceeds of industry will suffice. It is a peculiarity of industrial organisation that, because it is a group activity, there are always two ways in which men, whether employers or employed, may work to improve their economic position. They may either concentrate their attention on securing the largest share they can of the proceeds of industry or they may co-operate with one another in a common endeavour to make the gains of industry as great as possible. In the former case, the gains of one group are necessarily the loss of the other ; in the latter, no one need lose at all. Both methods are constantly at work in industry and it is seldom that either is pursued alone. Even when men struggle to enlarge their own share, they always have some regard to the effects of their actions on the profits of industry. No less when they co-operate to increase the proceeds, they seldom abandon the aim of enlarging their own share.

The conflict between employer and employed

## *The First Principles of Industrial Relations*

over the division of the proceeds of industry has generally heavily outweighed co-operation between them to enlarge the proceeds. The reasons are that the workers are hired at a wage fixed in advance and the employer takes whatever gains (or bears whatever losses) accrue from their joint activity. If any increase is taken by the employer, there is therefore no incentive for the trade unions to seek means of increasing profits, for usually any share in it can only be wrung from the employer later by hard bargaining. Further, the status of the workers in industry is so low that they are seldom given any opportunity, either individually or through their union, of using their initiative to increase the gains of industry. Profits, moreover, are influenced by so many factors beyond the workman's control that their uncertainty makes them a poor economic incentive to men whose economic problem is largely insecurity. The result is that trade unions have always preferred a wage fixed in advance at the highest level obtainable by bargaining.

In the earliest stages of development this is naturally a union's first task. If unions are weak or non-existent, it is probable that the workers are being underpaid, and the most urgent need is to establish the right to organise and bargain to secure a fair share of the profits. But when unions have grown strong, unless they can find means of using their strength in more constructive ways than the purely competitive struggle over the proceeds, there is real danger that their strength will exacerbate rather than improve industrial relations. The worst cases of strained industrial relations are often found where there is a very strong trade union, but where no

## *The Contribution of the Trade Unions*

mechanism has been evolved to enable the union to co-operate in industry, and consequently it has no responsibility. As in other spheres, power without responsibility can have nothing but ill effects.

There is perhaps a more important reason for believing that co-operation between the trade unions and the management of industry to enlarge the proceeds of industry is essential to the development of good industrial relations. Industrial discontent arises as much from lack of satisfaction in work, from want of knowledge of the organisation, processes and methods of industry, from the low status occupied by the worker and from problems of communication and discipline, as from economic causes. The means by which these difficulties may be overcome lie chiefly in methods which will raise the status of the worker through enabling him to play a larger part in the management of industry. By giving the worker a better knowledge of industrial problems, by enabling him to play a positive part in their solution through consultation and by encouraging self-government as a substitute for enforced discipline, a way may be found to raise the worker's status and make him something more than a 'paid hand'. These are things which could best be realised through co-operation between unions and management to enlarge the proceeds of industry. To put the matter another way the non-economic causes of discontent could be reduced by economic co-operation because this is the best way of raising the status of the worker.

Economic co-operation between unions and employers raises many problems, the chief of which is perhaps the fundamental problem of how far unions

## *The First Principles of Industrial Relations*

can and should take part in the management of industry and share in executive decisions. Or whether their function should be limited to the initiation of ideas and consultation on management policies.

As the previous discussion has made clear, the primary function of a trade union is to remedy the worker's economic disabilities and to give him protection and security against the arbitrary actions of management. This function is so important that nothing should be allowed to stand in its way. It is equally important whatever the form of industrial control, whether private enterprise, nationalised industry or any other form, for there is no system of control of industry which can remove the need for it. Always and everywhere unions must pursue their function of representing, negotiating and bargaining on behalf of their members.

Management, on the other hand, has an essentially executive function, with which is combined the function of the ownership of the property used in industry or of representing the owners. This is again true of every form of industry, irrespective of the ultimate owners of the capital employed. The executive function in industry consists of taking decisions what to produce, by what means, in what quantity and at what cost. Because decisions on these matters involve forecasts of economic trends beyond the control of management, they all involve risks of economic loss which can only be undertaken by those whose property is at stake. The unions, for instance, could not take part in making a decision which might involve the owners of property in a loss. Ultimately only the owners can decide whether

## *The Contribution of the Trade Unions*

or not to risk their property. Further, executive decisions in industry may sometimes involve steps that will both increase the proceeds of industry and at the same time diminish the share of the workers. Where this happens, the union which was party to the decision would find itself in a conflict of interest. On the one hand, it might wish to support a decision, for example the introduction of new machinery, which would increase the proceeds, whilst on the other hand it might wish to oppose the decision on the grounds that its members might be thrown out of work. As a trade-union leader once said in regard to the proposal that the union should have seats on the board of directors of a nationalised industry: 'We cannot go and meet ourselves, refuse ourselves and then tell ourselves that we have no case'.<sup>1</sup> Thus it is clear that for both these reasons the unions cannot take part in the executive functions of management whether of private firms or of nationalised industry.

Co-operation between unions and management, so far as the unions are concerned, must therefore be directed to consultation with the management in order to develop the application of management policies. This does not mean that the unions must necessarily play the part of junior partner in industry, always leaving the initiative to the employer. There is no reason why the unions should not put forward suggestions and work out new policies, and the scope for initiative in these directions is as wide as industry itself.

We can now turn to examine the fundamental conditions necessary to enable co-operation to take

## *The First Principles of Industrial Relations*

place between the unions and employers at industry level. There is no straight road to the solution of the problem of the division of the proceeds of industry which will automatically bring about co-operation. There are, however, several essentials for a satisfactory agreement on wages without which the struggle to secure the largest share of the proceeds will always tend to take precedence over co-operation to increase them.

The first essential is that an agreement should be reached on the principles on which the proceeds of industry should be divided. In other words, a basis for the determination of wages, not the wage itself, must be agreed upon. In the absence of an agreed basis for the variation of wages, wage bargaining becomes a mere trial of strength. Every time wages are varied, both sides have to approach the problem anew and all the old arguments have to be gone over afresh — a process that inflames tempers and does not contribute to industrial peace. As soon, however, as there is an agreed basis for the determination of wages, the struggle does not have to be renewed every time a change in economic conditions necessitates a change in wages.

An arrangement of this nature has a twofold advantage. It prevents a constant struggle over the division of the proceeds and enables better relations to grow up, thus laying the ground for constructive co-operation. At the same time an agreed basis on how the proceeds of joint endeavour shall be shared is a prerequisite for full economic co-operation to increase them. For unless there is some agreement which will ensure that increased profits are automatically shared in the form of increased wages, co-

## *The Contribution of the Trade Unions*

operation from the worker's point of view will have no economic incentive behind it.

There are a number of possible alternative methods by which wages may be varied on a pre-arranged basis. The best, because it offers a basis for full economic co-operation, is one which varies wages on a sliding scale according to the profits made by a selection of representative firms. These may be ascertained either by joint auditors appointed by both sides or by reference to official statistics of the industry. A moderately satisfactory alternative where profits are closely related to the price of the product and the price is not subject to sudden fluctuations is a sliding scale of wages based on the price of the product. As, however, this method does not offer a share of the proceeds derived from a reduction of costs, it is less satisfactory though easier to operate than a basis involving the determination of profits. A third alternative is a sliding scale of wages based on the productivity of labour as determined by some agreed method. The difficulty in this, however, is that productivity may vary in a different direction from profits, falling when profits are rising and vice versa. Again, in periods of rapidly changing prices some method which automatically adjusts wages according to the cost of living may be essential to industrial peace, for without it real wages will be altering and disputes over this issue constantly taking place. However, this method has other economic disadvantages mentioned below, particularly in connection with the problem of inflation.<sup>1</sup>

The means adopted to regulate wages must

<sup>1</sup> See pp. 118-120.

## *The First Principles of Industrial Relations*

necessarily vary according to the circumstances of the industry. But whatever method may be found best, any method which establishes an agreed basis for fixing wages is infinitely superior to one that leaves the question open to a trial of strength every time wages have to be varied. From time to time, doubtless, the basis on which wages are fixed will itself become the subject of dispute, but, once settled, it is likely to give a period of freedom from dispute and therefore of opportunity for economic co-operation.

The basis on which the proceeds of industry are to be divided can only be established on a foundation of fact, that is, of costs, prices and profits. This is the second essential for the development of economic co-operation. It is useless to expect full co-operation between employers and trade unions on any basis that does not make public to all parties in industry the financial results of their common endeavour. So long as the workers are left in ignorance of the financial result of industry and their requests for an increase in wages are met, as they always are in practice, by the statement that profits are not sufficient, the workers naturally assume that the employers are concealing their profits in order to avoid sharing them. Co-operation on such a basis is impossible. Ignorance amongst the workers of the results of industry makes it impossible for wages to be settled in the light of dispassionate consideration of facts and compels a resort to a trial of strength. Every industry should therefore aim to secure a periodic statement of costs, prices, sales and profits in an agreed form which may serve as a basis for negotiation. It is difficult to overestimate the value

## *The Contribution of the Trade Unions*

of an objective statement of this kind for the development of good industrial relations. There are many occasions in which a dispute is resolved because it is found to have no foundations when put to the test of the facts.

The third essential is regular organisation. In order to develop co-operation there must be means whereby employers and unions can meet regularly to consult and concert policies at a national or regional level. Co-operation will not grow if the only meeting-ground between the organisations is a disputes committee or a conference for negotiating a new agreement, and the only issues for discussion those in dispute. Permanent organisation and regularity of meetings are necessary to give the opportunity for developing both a regular exchange of views and subsidiary machinery for pursuing joint interests. Some form of National Council for each industry composed of representatives of both sides, and having as its function both joint consultation and the settlement of disputes, would appear to be essential to the systematic development of good industrial relations.

Once these essentials have been achieved, the foundations have been laid on which co-operation to increase the proceeds of industry can be built. Moreover, there are many subsidiary issues besides this central issue on which the interests of employers and workers, if they are not identical, are so nearly so as to offer a wide field for co-operation. These secondary common interests, as they have been termed, have generally been neglected because they have been overshadowed by conflicts over the proceeds. But the growth of the practice of co-operation

## *The First Principles of Industrial Relations*

over secondary common interests is the way in which co-operation over the central issue can be developed.<sup>1</sup>

Some of the subsidiary issues on which both sides in industry have a common interest can be briefly indicated. Both employers and workers have a common interest in making employment as regular as possible. To the worker, regularity of employment means security. To the employer it means the elimination of risks, the opportunity to plan production ahead, the reduction of surplus overhead costs and the elimination of waste of materials and labour. Moreover, regularity of employment is the first step to securing good industrial relations, for unless the workers are permanently attached to the firm there is no possibility of building mutual confidence or of giving the workers a more active part in the management.

The problem of discipline is also one in which both sides have a common interest. Every measure that will give the workers greater freedom whilst not impairing the efficiency of their work is of enormous benefit to both sides. The employer has a difficult task made easier, the workers have irritating restrictions removed, and both sides benefit from having a fruitful cause of friction reduced.

In many other matters there is a substantial community of interest. Thus, technical education is a sphere in which both sides have many interests in common, particularly in seeing that the highest possible standards of training are observed. The elimination of accidents is another such subject, for

<sup>1</sup> 'The development of community involves the gradual transformation of conflicting and parallel like interests into concordant like interests through the establishment of secondary common interests.'—MacIver, R. M., *Community*, 1st Ed., pp. 327-328.

## *The Contribution of the Trade Unions*

they cause loss to both sides. Again, any methods which make work easier or more pleasant usually result in some increase in output from the worker. Therefore, up to the point set by the cost of the measures and the increase in output derived from them, both sides stand to gain by co-operation to introduce them. This by no means exhausts the list of subjects which offer ground for co-operation in the pursuit of common interests. It is sufficient, however, to indicate the wide field which exists. Discussion of these matters can gradually build up the practice of co-operation by bringing about meetings at which there is no subject for dispute, and by enabling officials to get to know each other personally and thus encouraging good personal relations. These secondary common interests thus establish a basis on which further co-operation can be built.

As soon as the habit of co-operation has grown up and both sides have found direct advantage in participating in discussions with each other, the further step of extending discussions to questions of efficiency naturally follows. Indeed, many of the subjects enumerated above have such a close bearing on efficiency that discussion of them will easily branch off into direct discussion of efficiency.

Efficiency offers a very wide field for co-operation. Under this heading fall questions connected with the design and invention of new machines and tools, the development of new methods and processes and their application to industry, the organisation of co-operative research into methods and materials with a view to improving the quality or variety of products, the study of methods of standardisation and the application of work study. All these may form

## *The First Principles of Industrial Relations*

the subjects of discussion and agreement between organised bodies of workers and employers at a national level. But they must ultimately find their application in the factory, and it is here that preliminary national agreements between the organisations have their advantage. For instance, the application of work study will be greatly facilitated if both sides in the factory know that it has received the approval of their respective national organisations and that safeguards have been agreed in regard to earnings and an agreement reached on the distribution of the proceeds of greater efficiency.

The main difficulty on the trade union side is that its officials, primarily elected for their leadership and bargaining capacity, are not likely to be able to speak on equal terms with the employers where technical matters are concerned. But if union policy is to develop in the direction suggested, technical knowledge is going to become essential to union leadership, both nationally and within the factory. The remedy is that the unions should employ technical advisers who can speak from a footing of equal authority on technical problems with the employers' experts. Their services are as much needed in national discussions to work out policies as in the factory where they can give workmen the assurance that technical changes shall not be used to their disadvantage.

There is one major problem of trade union policy which has been passed over in the previous discussion. It has been pointed out that full employment is necessary to the development of good industrial relations, but it may so strengthen the worker's bargaining power that the trade unions are

## *The Contribution of the Trade Unions*

enabled to steadily push up wages. No immediate increase in the output of goods is, however, possible in an economy in which all labour resources are already fully employed, and the consequence of steadily rising wage levels in the absence of increased production can only be inflation. Every rise in prices as a result of an increase in wages will generate new demands for increased wages to maintain the workers' standard of living. Each wage increase restores the living standard of the group that obtains it, but when all groups have secured an increase, the result will be that prices will have risen too, and nobody will be any better off.

The economic consequences of inflation are beyond the scope of this discussion, but their direct bearing on industrial relations should be pointed out. If inflation goes on too fast it is likely to have a disrupting effect on all forms of social organisation, including industry, which depend on money as a standard of value. Not only will production be likely to suffer, but, in a country dependent on export trade, inflation may result in inability to sell goods abroad at competitive prices. Moreover, the constant need to adjust wages to rising prices is likely to result in much industrial friction between workers and employers. And any steps by employers or by the State to stop inflation, whether by restricting wage increases or by other means, are likely to be taken by the trade unions as an attack upon them, and even to have political repercussions which will prejudice the growth of good industrial relations.

The community as a whole, therefore, has an interest in seeing that the economic consequences of agreements to raise wages are not inflationary, and

## *The First Principles of Industrial Relations*

the State has the duty to intervene to control their effects. But this is often not understood. Where the two sides are in conflict and industry is disrupted to the hurt of people not involved in the dispute everyone recognises the duty of the State to take steps to reduce the conflict. Wage inflation is, however, a much more subtle disruption of society and is, therefore, often not recognised for what it is. This is partly because cause and effect are not obviously related, a wage increase for 'us' having no appreciable effect on the level of prices, and partly because the evil effects on society arise not from a disagreement between the two sides, but from an agreement between them to raise wages.

The remedy for inflation must lie chiefly in the hands of the State which must ultimately be responsible for maintaining full employment. But without the aid of the unions, the difficulties of simultaneously controlling inflation and of maintaining full employment are greatly increased. Failure of the unions to co-operate in maintaining stable prices might therefore be the signal for the State to impose a legal stabilisation of wages. This might well be disastrous for the growth of voluntary collective bargaining and retard the development of industrial relations. The problem of the control of wage inflation is, therefore, one of the greatest problems the unions have to face. Because no one union can effectively take any steps against it, it will require concerted action. However, concerted action amongst the unions on a wide field of general economic policy implies a high degree of organisation and economic statesmanship which lies far beyond the normal scope and function of trade unions.

## CHAPTER XII

### *The Contribution of the Employer*

So much has been written recently about methods of management that there is no need to elaborate on them here. An analytical view of the fundamental aims of management policy and some of its main instruments will, however, help to make clear the nature of the contribution the employer can make to industrial peace.

The function of management in any business is twofold. It is, firstly, to take economic decisions on what to produce and in what quantities, with the aim of maximising the profits of the business. And, secondly, to administer the economic resources of the firm with the purpose of carrying out these decisions. The latter process is primarily concerned with the question of how the decisions can be carried into effect with the least cost. There are always a number of possible ways of producing any commodity. Men, machines and materials can be used in a wide variety of ways to achieve a given end, and the manager's task is always to try to find the combination of these factors of production which will produce most efficiently, that is, at the least cost per unit. The pursuit of efficiency is always motivated by the positive reward of increased profit on the one hand and often by the fear of competition on the other.

## *The First Principles of Industrial Relations*

The single-minded pursuit of efficiency, highly desirable from a social point of view as the only means of ensuring the best economic use of resources, may, however, lead to short-sighted policies in regard to labour. Profits may be increased in the short run by means which drive labour to work faster or for a lower reward, whilst competition with other employers may be carried on by a mutually destructive cutting down of wages, the final effect of which is only the impoverishment of labour. But these are all policies which can be bought only at the cost of inefficient, because impoverished, labour and of embittered industrial relations. Efficiency in the long run cannot be achieved by any means which relies on the exploitation of labour; for happy, satisfied, willing labour is always more efficient than exploited labour.

That this seemingly obvious lesson should not have been learnt and applied everywhere in business is perhaps at first sight surprising. The reason is, however, that competition at the expense of labour may to some extent be forced upon employers. In any case, the achievement of securing a truly efficient labour force is always a most difficult task requiring knowledge and understanding of human beings and tact in personal dealings not otherwise called for in a business man. It also requires a continuing and persistent endeavour which can never be relaxed. It is therefore fatally easy to forget the lesson of experience under the pressure of the immediate needs of business.

For these reasons safeguards are needed. A minimum wage applicable to all firms in the industry, whether established by law or by agreement with a

## *The Contribution of the Employer*

trade union, will safeguard the employers against the pressure of competition from low-paid labour elsewhere. However, this will do little or nothing to bring about a proper policy towards labour inside the firm. In this, as in most other matters within the firm, the initiative in developing good relations must come from the employer. Most firms, beyond the smallest, now employ a personnel or labour manager, and in the larger firms it is becoming the practice for one of the directors to specialise in the administrative problems relating to labour. The primary responsibility of such officers is, firstly, the well-being and efficiency of the labour force, and, secondly, to see that in the search for reduced costs the management does not unwittingly take steps which sacrifice the well-being of labour to immediate commercial gain. Modern management policy, therefore, no longer regards the management of labour as a matter of secondary importance to be handled by an employer already burdened with the many diverse problems of business management. It aims at substituting for him a specialist trained in methods of managing labour whose function is to advise and guide the employer on all matters relating to labour, so that the search for efficiency is not made at the expense of labour.

The fundamentals of employment policy may now be briefly stated, the implications of them for practice being examined a little more fully below. The fundamentals are, firstly and by far the most important, consideration and respect for the human beings involved. This requires appreciation of their individuality, of their differences in capacity and in needs, and an understanding of the worker's position

## *The First Principles of Industrial Relations*

and of his difficulties and fears. Where these attitudes are not present or only lip service is paid to them, no employment policy will be successful. On the other hand, where they really prevail they will find innumerable applications in the working out of details of personnel policy.

Secondly, the employer's aim should be to achieve full economic co-operation through the development of common interests. This is the way in which the general problem of how to improve the workers' status can be met. Every measure which succeeds in bringing about active co-operation between employer and worker in pursuit of their common interests makes the worker more truly a partner. At the same time, in so far as this policy succeeds, it will reduce the need for arbitrarily imposed discipline, because it will bring about self-discipline in pursuit of a common aim.

Lastly, it seems that some means must be found by which the workers can share in the economic prosperity of the firm. It is doubtful whether full economic co-operation is possible without some system whereby the workers are assured that, if the common endeavour is successful, they will by some means share in the results without having to bargain about it.

It will be noticed that the second and third of these fundamentals are the same in principle as those already discussed in connection with the relationship between trade unions and employers in their organised capacity outside the factory. But within the factory there is the complication of personal relations between employer and employed. Therefore these purposes have to be worked out in a different setting in which the general principle of

## *The Contribution of the Employer*

respect for human personality must be paramount. We may now briefly indicate the methods by which these purposes may be implemented.

The first aim will mainly show itself through the work of the Personnel Manager or whoever is responsible to the employer for the day-to-day organisation of labour. In this work the personnel manager should take responsibility for all aspects of the business which affect labour, subject only to the overriding authority of the managing director. The personnel manager's work will be found to be more effective the wider is its scope, and he should, therefore, be responsible for the recruitment, selection and training of labour, for conditions of work and welfare facilities, for wages and methods of remuneration, for the safety and health of the workers, for the elimination of grievances and generally for maintaining the relationship between the worker and the firm on a satisfactory basis. The larger the firm the more important becomes the work of the personnel manager, because in a large firm relations between the management and the workers tend to become impersonal and the personnel manager can maintain the personal contact between the management and the workers which might otherwise be lost. This aspect of his work is of great importance, because he serves as a channel of communication between the management and the workers. He will frequently be called on to explain management views and policies to the workers and to explain the workers' views and feelings to the management, thus making both more aware of the point of view of the other.

The aims of personnel policy may now be described in a little more detail. One of the principal

## *The First Principles of Industrial Relations*

purposes must be to build up a permanent staff of workers. Unless the management can ensure a high degree of permanency amongst its staff, all efforts to establish good personal relations and economic co-operation are bound to fail. These are not things which can be achieved in a short span of time, and if the rate of labour turnover is high there will be no possibility of ever attaining them. A stable labour force is a prerequisite of good relationships.

Stable employment requires two things: that men should be satisfied with their work so that they will not want to leave it to move elsewhere, and that the economic demand for their labour should not change so suddenly that their services are no longer required by the firm. Personnel management very largely consists of measures designed to achieve the former by ensuring that the infinite variety of human qualities is properly matched to the requirements of the very large range of different sorts of work in the factory. It tries to ensure that each worker is employed in a job giving scope for his abilities and suited to his temperament. Moreover, it is not only the requirements of the work itself which matter, but also its social environment. It is just as important that a man should be employed in a job where he gets on well with the other workmen with whom he has contact, and under a foreman in whom he has confidence. To achieve all this may in practice be very difficult, but it must be the aim of personnel policy, and a good deal can, in fact, be done towards it.

The careful selection and recruitment of workers aided by aptitude tests will ensure that the right

## *The Contribution of the Employer*

type of workers for the job will be selected. Systematic training will both help workers to do their jobs well and will reveal more about their abilities. Willingness to transfer workers from one job to another, or from one group of workers to another, will help to overcome personal likes and dislikes and will aid in the elimination of misfits. Attention to complaints and grievances is part of the same work of adjustment. Many will be due to misapprehension and these can be dealt with by explanation. But where investigation shows a ground for complaint, only prompt action to remedy it will remove friction and give assurance to the worker of the good intentions of the management.

Other aspects of the same policy of adjusting jobs to men and men to jobs are systematic attention to wages and the promotion of staff. Wages require constant attention if in the face of changing circumstances, adjustment is to be maintained between the wage and the responsibility, experience, skill and training required for the job. Moreover, unless this is done, promotion will not bring with it, as it should do, an orderly progress up the wages scale. Promotion itself is both a powerful incentive because it brings with it more varied interests and responsibilities and gives a better status, and because it is a means of adjustment of men to jobs according to their abilities.

The ultimate sanction of dismissal is something to which management should never resort except in cases of gross misconduct. In other cases it is an admission that the firm has failed to select the right man or failed to make the necessary adjustments. Once a worker is engaged he should be entitled to

## *The First Principles of Industrial Relations*

the assurance he so badly needs that, if he does his work to the best of his ability, his job is secure so far as it is possible to make it so.

These are some of the main policies that may be pursued in an effort to build up a satisfied and stable labour force. But if economic changes in demand for the products of a firm are sudden, they may defeat the best personnel policies by making it no longer possible to keep labour at work. Measures designed by the State to maintain full employment will not prevent fluctuations in the demand for a particular product. But the individual firm is not helpless, for it can, by diversifying its products, guard against the failure in the demand for any one and can modify seasonal fluctuations by arranging to manufacture a different product in the off season, and thus keep together its labour force. In addition, it should be possible in many cases to give the workers a greater degree of security than the usual very short notice of termination of employment. Many firms now employ a proportion, say 20 or 25 per cent, of their workers on the basis of six months' notice. They thus become the permanent 'staff' who will not be dismissed unless the firm closes down altogether. This enables the firm to give security to a group of well-tried men with long service. Becoming a member of 'staff' can also become part of the normal routine of promotion for satisfactory workers.

The importance of good personnel management as part of the contribution of the employer to industrial peace cannot be overrated. To carry it out effectively, however, requires more than goodwill, and the importance of training in methods of the management of labour are being increasingly

### *The Contribution of the Employer*

recognised. Since ability to handle men depends largely on innate qualities of character, an untrained personnel manager may be better than none. However, training can very greatly increase the ability to manage labour, because it can give knowledge of the many methods that can be employed. It can also help towards understanding the viewpoint of the worker and why and how his grievances arise, and in this way contribute to increase the effectiveness of management policies.

The training of foremen in the management of labour has an importance only less than that of the training of personnel managers. As has been pointed out, the foreman is the immediate point of contact between the worker and the management and is the channel through which the worker receives orders, obtains information and must first voice his discontents. The importance attaching to the general character of the foremen, their capacity for sympathetic understanding of the men under them, their ability to inspire respect and to obtain co-operation can, therefore, easily be seen. Training can, for the same reasons as in the case of personnel managers, greatly increase their effectiveness and help them to co-operate in carrying out personnel policies.

These methods of management can do much to mitigate the evils of industrial work, to bring security and contentment to the worker, and to make them feel that the firm cares about them as individuals, but they cannot by themselves create a spontaneous interest in work. If the worker has no interest in his work he will merely be interested in the wage he gets out of it, and inefficiency, waste and unrest will continue. No enterprise can possibly be efficient that

## *The First Principles of Industrial Relations*

fails to enlist the interest of the workers and to secure their spontaneous and voluntary co-operation in pursuit of something they believe to be worth doing.

The difficulty which faces all attempts to match jobs to the abilities of men and to bring contentment and interest in work is that the division of labour has so fragmented many jobs that nothing can make them inherently interesting. They will remain dull, uninteresting, boring jobs which cannot engage the interests of most human beings. Some individuals may be suited to their tasks, but for the majority there may be little or no possibility of finding jobs closely enough suited to their abilities and temperament to give them moderate satisfaction with their work. In industries where this is true the technical advantages of the division of labour may well be outweighed by the discontent, and hence inefficiency, caused by the work itself.

The direction in which a remedy may be sought lies in attempting to enlarge the scope of each fragmented job, by training the worker to do several jobs hitherto done by separate individuals. For instance, a worker on a metal cutting machine might be trained to set the machine, to sharpen his own tools and to test, with suitable apparatus, the accuracy of his own work. Again, instead of doing one small operation on a part, the worker may be trained to do several different operations which enable him to finish the making of a complete part. These methods are sometimes known as 'job enlargement'. Another method is 'job rotation' whereby a group of workers all learn each others' tasks and change round from one to another from time to time, the allocation of jobs being generally left to

## *The Contribution of the Employer*

the decision of the group. Where these methods can be applied they have often been found to increase efficiency and reduce discontent, but there are wide areas of industry where the technical methods of production may make it impossible to apply them. Their virtue lies in the increased freedom given to the workers to vary their work and to take responsibility for it, and in the greater range of jobs which enables more use to be made of the varied abilities of men.

We may now turn to the second fundamental principle of employment policy mentioned above, namely, the development within the firm of the common interests of the workers and employers. It has already been pointed out that every measure which succeeds in bringing about co-operation between employers and workers in pursuit of their common interests will reduce the need for discipline enforced by the employer. Self-discipline will be substituted for it by each individual whose co-operation is enlisted. If some individuals are unco-operative they will feel the pressure of the public opinion of their own working group and will be more likely to accept the aims of their workmates than to be driven by the foreman. Whenever the aims of an informal group of workers can be brought into line with that of the employer by the development of a common purpose, the need for enforced discipline will tend to disappear. To enlist the support of each informal group, thus bringing about co-operation with the workers, is therefore an important task for the management.

Further, in so far as common aims can be developed, it becomes possible to delegate authority

## *The First Principles of Industrial Relations*

and to ask an increasing number of individuals to accept responsibility for a small part of the organisation. By this means, the achievement of a measure of self-government, the status of the workers can be improved. Again, in so far as common interests can be developed and responsibility delegated, the worker will be able to enjoy an increasing number of interests in the organisation of his work. These will serve to offset the want of satisfaction in their work which many workers feel so acutely. Part of the key to the problem of discipline and a partial remedy for the low status of the worker, and for his lack of satisfaction in his work, may therefore be found through the development of common interests.

The mechanism for joint discussion on matters of common interest is a Works Council. These bodies go by varied names and take different forms in different countries. Sometimes they combine bargaining functions with the discussion of common aims, and sometimes they are the main vehicle for trade-union activity within the firm. For the purpose of discussing common interests, however, it seems best that a works council should confine itself to matters of consultation and should not be used for bargaining. In this respect it differs from councils at a regional or national level, which must necessarily consist of representatives of organisations and on which therefore bargaining is unavoidable. Though consultation and bargaining cannot in practice be kept completely distinct, yet there is a very real difference. Consultation implies that there is already agreement on the desirability of an objective and that consultation takes place on the best method of

## *The Contribution of the Employer*

attaining it, but bargaining implies no common aim. It has often been found, therefore, that it is best to exclude from discussion on a works council all matters of potential dispute and particularly those over which a trade union conducts collective bargaining. These can be dealt with in other ways, by negotiation with the trade union concerned.

There is, however, a danger to which attention must be drawn. Any attempt to establish compulsory works councils or to give them statutory powers, as has been attempted in some countries, is likely to defeat its own ends. Men can be compelled by law to meet at stated intervals, but they cannot be compelled to agree. And if one side is unwilling, the attempt to compel may result in embittered relations. The free growth of consultation, though perhaps slower, seems likely to be more successful in the long run.

A works council is a joint body consisting of persons drawn from all ranks of the staff of the firm. Whilst it is appropriate that members should be appointed from the management on the basis of their technical and executive qualifications, the representatives of the manual workers are best elected. If representatives of the workers are appointed either by the management or by a trade union, fears will be aroused that they have been appointed to represent a particular point of view. They should therefore be freely elected in their capacity as individuals to represent the worker on the shop floor.

It seems desirable that works councils should have a formal constitution and a method of procedure, and also a recognised function and status within the organisation of the firm. But because a

## *The First Principles of Industrial Relations*

works council is essentially a consultative organisation it can only exist and work by agreement, by the voluntary good-will of both employers and workers. This means that there is no means of forcing a decision on an issue on which there is no agreement, and the subject must be dropped from the discussion.

The wide scope of possible subjects with which a body of this kind might deal has already been indicated in discussing the function of trade unions. Discussions at a regional or national level between organised bodies of employers and workers must necessarily be at once more general and more restricted, because they can only cover matters which are common ground to a number of firms. But when these things are discussed at the factory level they must necessarily be discussed in far more detail so that they have direct application and can take account of matters peculiar to the firm. The subject-matter for discussion falls into four main groups. Firstly, complaints, grievances and matters of discipline ; secondly, questions involving the welfare of the personnel, their health, comfort and safety ; thirdly, matters concerning efficiency in production, the best use of men, materials and machines ; lastly, commercial and financial problems, the purchase of materials, the sales of the product and the finance of the business. The distinction between these groups is often hard to draw and in practice they shade into one another. Analytically, however, they distinguish the settlement of minor differences from the more advanced development of joint discussion of common interests arising from the organisation of men and materials. Moreover, they seem to represent three stages in the development of works

## *The Contribution of the Employer*

councils. The discussion of grievances and complaints is the easiest topic, whilst the discussion of the organisation of the human factor requires a greater amount of co-operation, and at the most advanced stage a high degree of co-operation and mutual trust is required for consideration of the material and financial sides of the business.

In a large works much of the business of the council may conveniently be carried on through sub-committees on which might sit persons other than those on the council. These committees serve the purpose of departmentalising the work of the council and the very important aim of drawing into consultation with the management a wider circle of people than would otherwise be possible. In all the work of the council the principle followed should be that of delegating to the workers, as far as possible, a share in the control of all matters affecting labour. Thus, safety work, welfare facilities, the canteen, works rules and discipline, sports and entertainments are all matters which are suitable for control by the workers themselves or in which they can play a large part with some assistance from the management. By these and similar means many persons may be drawn into the work of day-to-day administration, thus spreading responsibility and interest to many individuals. In this way a considerable degree of self-government may be achieved.

The success of measures aimed at bringing about co-operation on common interests will depend partly on how far everyone on the staff has knowledge and understanding of the needs of the business. Full co-operation is clearly impossible unless everyone co-operating knows the purpose, the means and

## *The First Principles of Industrial Relations*

the results of the joint endeavour. Information should therefore be made available on all aspects of the business to everyone who is interested, and the wider the information and the greater the willingness to discuss it, the more effective will co-operation become. Information should therefore be available on the financial aspects of the business, its capital, shareholders, profits and reserves ; on the efficiency and relative merits of different types of processes, machines and equipment ; on the sources and supply of raw materials and power and the cost of them ; on output, sales and prices realised ; on the selling organisation of the firm ; on methods of packaging, transport and distribution ; on the internal organisation of the firm and on all matters concerning labour policy.

Though this information may be available, it does not follow that it will be communicated to, or understood by, the staff unless deliberate efforts are made to do so. Unless the results of discussions on the works council are made widely known and the reasons for them explained, the work of the council is likely to remain remote from the workman at the bench. Some of the methods that may be employed to overcome this difficult problem are notices and minutes of council decisions, meetings at which representatives report verbally on their work, and periodical meetings addressed by the managing director at which he surveys all aspects of the business and its problems.

These methods are, however, still likely to overlook the interest of the workman in the immediate problems of his department and its work, and the effect of changes in policy on it. The foreman is

### *The Contribution of the Employer*

probably the best person to communicate these matters to the workmen under him. The method of holding regular meetings for discussion of departmental matters between foreman, works council representative and workers can help to interpret remote and difficult problems of business into their immediate meaning for the worker.

If ignorance is to be overcome, a large part of the task of management is, in fact, the education of the workers. The most lasting contribution which the employer can make to social welfare and to industrial peace is through the education of the workers he employs in methods and problems of industrial management. The solution of the problem of industrial discontent lies in the final analysis in increasing the extent of democracy in industry, and, without education, real democracy in industry is no more possible than it is in society.

There remains to be discussed the third principle of employment policy, that of how the proceeds of the business should be shared with the workers. Before turning to examine this, it should be noticed that the first two principles we have discussed apply to all forms of business irrespective of whether they are controlled by private enterprise or in varying ways by the State. They are the fundamental principles of good management irrespective of the form of economic control. When we turn to the third principle, however, this is not so. The question of sharing the proceeds of industry will only arise where the firm is free to dispose of its proceeds in whatever manner it decides, and under State control this power may be severely limited. The third principle is therefore mainly applicable to industrial enterprises

## *The First Principles of Industrial Relations*

under private ownership, and is therefore of less fundamental importance than the others.

The problem of how the proceeds of a business should be shared with the workers is one which has occupied the minds of many industrialists over a long period of years, and on which there seems to be no agreed opinion. Being actuated by the profit motive, a considerable number of business men have thought that a scheme by which the workers shared in the profits of an undertaking would by itself, without other measures, be sufficient to produce good industrial relations. In this belief many profit-sharing schemes<sup>1</sup> have been started, but, with few exceptions, the life of the schemes has been short and the results disappointing.

The reason appears to be chiefly that, unless steps are taken by consultation and other means to develop the common interests of the workers and employer, any scheme for sharing the proceeds is likely to be relatively unsuccessful. Monetary rewards are no substitute for lack of status or for want of interest in work. On the other hand, where steps are taken to overcome these problems, almost any scheme that gives a reasonable prearranged basis for sharing the proceeds will be likely to succeed in the sense that it will lead to economic co-operation. The two must go hand in hand. Moreover, the experience of many experiments in profit sharing seems

### *The Contribution of the Employer*

to show that a scheme of this nature is not likely to succeed unless it is accompanied by some means of giving the workers full knowledge of the results of the business. It has already been pointed out that it is impossible to secure economic co-operation between people if the results of their common endeavour are hidden from one section. On the other hand, if the full results of the business are placed before the worker in the form of a financial statement, the means by which he shares in the prosperity of the firm is less important. What is important is that the worker should have full knowledge of how much profit is made, the reasons for changes in its amount and its disposal. If he has this information, any system for varying wages or sharing profits, provided it is agreed upon in advance, will give him the assurance he needs as a preliminary to economic co-operation.

Much of the disappointment with the results of profit-sharing schemes also stems from a failure on the employer's part to realise that no scheme for sharing the proceeds of a business can act as a direct incentive to fast work. For an incentive to be effective, there must be a direct connection between the amount of the reward and the effort exerted by the worker, and reward must follow effort without delay. No scheme for sharing the ultimate proceeds of the business can fulfil these conditions. The results of diligence on the part of the worker may easily be swallowed up in a fall in prices or other unforeseen economic changes over which he has no control. Moreover, there must necessarily be delay between the work done and the profit finally received. It is no incentive to work hard now if the reward from it,

## *The First Principles of Industrial Relations*

problematical in any case, is to be received in twelve months' time.

Bearing these factors in mind, let us ask what system of remuneration is most likely to give a satisfactory basis for good industrial relations? It seems that any system must contain two sides; firstly, an arrangement by which a direct reward is given for hard work and, secondly, some means by which the wages of the worker vary with the prosperity of the firm.

The most direct way in which the worker can give his co-operation is in the speed with which he works, and any means that gives him a reward proportional to his output will enable him to co-operate in this respect. The simplest method by which this can be done is by payment according to results. A direct piece wage of so much per unit of output gives the worker an incentive to increase his output and benefits him, and at the same time benefits the employer by causing a reduction in overhead costs per unit of output. Payment according to results thus enables a limited form of economic co-operation to take place, that is, co-operation in the speed of work.

Because of differences in methods of work, this method of payment requires local determination of piece rates in each firm and also needs continual adjustment as conditions change. It is therefore difficult for trade unions, unless they are strongly organised, to control piece rates, and they are often subject to arbitrary alteration by employers without consultation or negotiation. This is one of the reasons why they are so frequently the cause of dispute. Moreover, unscrupulous employers have so

### *The Contribution of the Employer*

often used this method of payment as a means of exploiting the worker, by speeding up his rate of work and then 'cutting the rate', that it has gained a bad name amongst workers who are not both accustomed to the method and strongly organised to bargain over it.

These objections can be removed only by scrupulously careful rate fixing and a willingness on the part of the employer to negotiate every rate. Once a rate has been agreed upon, guarantees must be given that it will not be altered unless a change in conditions occurs, and then only by agreement with the union. Subject to these safeguards a piece rate appears to offer the most satisfactory method of payment.

There is, however, a wide range of tasks to which the method cannot be applied because there is no measurable unit of output or because it is not possible to attribute the output to any particular individual. In these cases it is sometimes possible to pay a piece wage based not on the output of each individual, but upon the output of the group of workers. If the group be small, so that each worker is in close contact with the others, the effect of this method will be to encourage co-operation between them.<sup>1</sup>

The problem of how to share the proceeds of the business with the workers is one of the most difficult problems and one on which there is much less general agreement. It is clear, however, that whatever method of sharing the proceeds of a business may be adopted, it is important that it should not involve

<sup>1</sup> For details of innumerable other methods of payment the reader must consult other sources mentioned in the Bibliography.

## *The First Principles of Industrial Relations*

any risk to the worker's income. The worker is so dependent on his wages, and has so often only a small margin of income above the cost of his physical needs, that security of income is to him of first importance. Therefore all variation in his income must take the form of a variable addition to the minimum time rate agreed upon with his union.

Several alternative methods are possible by which additions may be made to a fixed minimum wage in order to give the workman a share of the profits. One method is a formal profit-sharing scheme by which a fixed percentage of the net profits as defined by agreement is paid as an annual bonus. A variation which appears to be growing in popularity is the method of co-partnership, by which the workers are annually given a share of the profit in the form of ordinary shares in the business, capitalised from the profits of the company.<sup>1</sup> This method has the advantage that it gives the worker shareholder's rights, and amongst others the right to receive financial documents relating to the business.

Another method would be for wages to be adjusted annually up or down, subject to an agreed minimum, according to the extent to which profits exceed or fall short of a certain minimum standard. This method might either be introduced on the initiative of the firm or might be the subject of negotiation with the trade union, supplementary to any national agreement. Something of this nature appears to exist where, as is the case in some countries, trade unions conduct their bargaining to a great extent with individual firms. But even in countries

<sup>1</sup> This method has recently been adopted by one of the largest companies in Great Britain: Imperial Chemical Industries.

### *The Contribution of the Employer*

where national agreements are the rule, they need not prevent supplementary agreements with firms which can normally afford to pay wages above the national minimum.

These are but some of the possible methods which might be employed. It is certain that none of them can succeed alone, without the other measures we have discussed, in achieving full economic co-operation. There is no more urgent need in industrial relations than that employers should experiment and in consultation with the trade unions attempt to find means which will enable joint consultation to bear the full fruit of economic co-operation.



## INDEX

- Absenteeism, 1, 79, 80-82  
    involuntary, 81  
    and sickness, 81-82  
    voluntary, 81
- Arbitration, 102  
    compulsory, 102-103
- Assembly line, 23
- Bargaining strength, 37 *et seq.*  
    and consultation, 132-133  
    cumulative, 40-41  
    and labour exchanges, 97  
    and physical conditions, 42-43  
    and social security, 95-96  
    and state intervention, 93-94  
    and strikes, 84-85
- Capitalism, 6, 18-19
- Common employment, 12
- Common interests, 115-116, 131
- Communication, 125, 135-136
- Conditions of work, 14, 42-43, 98-99  
    and effort, 43-44
- Consultation, 103, 111, 132
- Control, *see* Discipline
- Co-operation, 107, 109, 111, 112, 115 *et seq.*  
    and discipline, 109, 124, 131
- Co-ordination of work, 13
- Co-partnership, 142
- Discipline, 13-14, 44, 47, 54, 83, 103, 116  
    and co-operation, 22, 124, 131  
    and full employment, 45-46, 83, 94  
    and profit, 72
- Dismissal, 13, 15, 45, 46-47, 127
- Division of labour, Chapter III, 12, 13, 19, 22-23, 54
- Division of proceeds, 111-112, 113, 124, 137 *et seq.*
- Economic co-operation, *see* Co-operation
- Economic insecurity, *see* Insecurity
- Education, 137  
    of foremen, 129  
    of managers, 128-129  
    technical, 116
- Efficiency, 106, 117, 134  
    and exploitation of labour, 106, 122, 123  
    and management, 121
- Effort, 43-44, 51  
    and discipline, 44  
    and wages, 62-63
- Employer, Chapter XIII, 77  
    and contact with groups, 32, 59  
    and contact with workers, 24-25, 26, 72  
    and status of workers, 58
- Employment :  
    full, 11, 41, 45, 83, 87, 94  
    and inflation, 118-120  
    permanant, 126, 128  
    regular, 116
- Enterprise, *see* Private enterprise
- Factories Act 98-99
- Fair wages, 73
- Finance of industry, 75, 114,

# *The First Principles of Industrial Relations*

- Flow of work, 22-23  
Foremen, 14, 24, 26-27, 44  
and communication, 136-137  
training of, 129  
Freedom :  
of association, 4, 93-94  
balance of, 7, 9, 92  
and conflict, 7  
and discipline, 48  
economic, 5  
individual, 4  
and State ownership, 8  
Full employment, *see* Employment
- Group work, 12, 19, 28 *et seq.*  
and discipline, 131  
and employer, 32, 59  
freedom in, 55  
piece wages, 141  
and security, 31  
status in, 29  
and Trade Unions, 32
- Health, 43, 81, 99, 134
- Ignorance, Chapter VII, 114  
of business, 75  
of employer's motives, 77  
of reasons for orders, 76-77  
of work of management, 76  
of workers' motives, 77
- Incomes, inequality of, 66, 67,  
69-70, 99-100, 101
- Industrial discontent, 1, 3, 109  
causes of, Chapter V  
and ignorance, Chapter VII  
and inefficiency, 2, 82  
organised, 79  
remedies for, Chapters IX-XII  
and sickness, 81  
signs of, Chapter VIII, 1  
and strikes, 83 *et seq.*  
unorganised, 79
- Industrial relations, applied subject, 3
- Industrial work : Chapter II  
characteristics of, 12 *et seq.*,  
18  
freedom in, 53, 55  
satisfactions of, 50-51
- Industrial worker :  
bargaining strength, 37 *et seq.*  
economic characteristics, 34-  
36
- Inefficiency, 2, 82
- Inflation, 113, 118-120
- Information, 136  
concealed, 75  
*see also* Communication
- Insecurity, 15, 36-37, 95-96
- Job enlargement, 130
- Joint consultation, *see* Consultation
- Knowledge, *see also* Information  
and bargaining strength, 39,  
42-43  
of business, 75, 135-136
- Labour : division of, *see* Division of labour  
exchanges, 97  
forced sale of, 38  
management, 95, 123, *see also*  
Personnel management  
market for, 37-38, 40  
mobility of, 40, 62-63, 97  
perishable, 37  
turnover, 1, 80, 83, 126
- Line of command, 24  
and orders, 25-26
- Management, Chapter XII, 14,  
24, 103, 110  
and discipline, 27, 43-44, 124  
131  
function of, 121  
of labour, 92, *see also* Labour  
and status, 109  
and trade unions, 110  
training for, 128-129
- Minimum needs, 65

## Index

- Mobility of labour, 40, 62-63, 97  
Motion study, 21-22  
Motives, ignorance of, 77-78  
**Nationalisation, *see* State control**  
**Occupation, 27, 62**  
    and mobility, 40, 62-63  
**Orders, 14**  
    ignorance about, 76-77  
    and line of command, 24  
**Overtime, 14, 77**  
**Personnel Manager, 125-127**  
    and communication, 125  
    and wages, 125, 127  
**Piece rates, 140-141**  
**Private enterprise, 17-18, 100, 101**  
**Profit, 17-18, 19, 72-73, 108, 113**  
**Profit sharing, 138-139**  
    as incentive, 139  
**Promotion, 127**  
**Property, 5-6, 100**  
    freedom of, 6, 92  
    and risks, 110  
    and wealth, 69  
**Rate of work, 22-23, 43**  
    and assembly line, 23  
**Real cost, 43**  
**Rules, 14, 77, 135**  
**Secondary common interests**  
    *see* Common interests  
**Self-expression, 51**  
    esteem, 52  
**Skill, 40, 52, 67, 71**  
    and status, 29, 56-58  
**Sliding scales, 113**  
**Social prestige, *see* Status**  
**Social security, 96-97**  
**Socialism, 71**  
**Society, structure of, 3, 18, 69**  
**Standard of living, 65**  
    and progress, 66  
**Standardisation, 117**  
**State control of industry, 8, 18**  
    and discipline, 47  
**Status, Chapter III, 5, 28-31, 52, 109, 124, 131**  
    factors influencing, 29  
    in group, 29  
    and income, 30, 57  
    and skill, 29, 56, 58  
    in society, 30, 57  
**Strikes, 83 *et seq.***  
    and loss of production, 1  
    *major* and *minor*, 86  
    suppression of, 8, 102  
    and unemployment, 84  
**Taxation, 99**  
**Technical education, 116**  
**Trade Unions, Chapter XI**  
    compulsory, 93-94  
    and efficiency, 106  
    and freedom of association, 4, 93-94  
    function of, 110  
    and inflation, 118-120  
    and management, 109, 110  
    and piece rates, 140  
    and the State, 93  
    and strikes, 84-85  
**Unemployment, 11, 15, 41, 49-50, 83, 94**  
    and discipline, 46  
**Wage drift, 42**  
**Wage earners, economic position of, Chapter IV**  
    characteristics of, 37  
**Wage slavery, 48**  
**Wage work, 15**  
    short contract for, 35-36  
**Wages, Chapter VI**  
    adjustment of, 127, 140  
    basis for, 112-113  
    cause of dispute, 60  
    differentials, 67-68  
    and effort, 62-63  
    fr. r., 73  
    incentives, 140

## *The First Principles of Industrial Relations*

### **Wages, (contd.)—**

minimum, 98  
piece rates, 140  
relative, 66-67  
and skill, 67, 71  
sliding scales of, 113  
and standard of living, 65  
and status, 29  
structure, 67

### **Work :**

flow of, 22  
mental satisfactions of, 51-52  
physical, 50-51  
rate of, 22-23, 44  
study, 117  
Works Councils, 132-136  
compulsory, 133  
functions of, 132

**THE END**